FAPRI 2005 U.S. Baseline Briefing Book

FAPRI-UMC Report #02-05

March 2005

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Published by the Food and Agricultural Policy Research Institute (FAPRI), University of Missouri-Columbia, 101 Park DeVille Drive, Suite E, Columbia, MO 65203, March 2005.

http://www.fapri.missouri.edu

Material in this publication is based upon work supported by the Cooperative State Research, Education and Extension Service, U.S. Department of Agriculture, under Agreement No. 2004-34149-14431.

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Foreword

This report presents a summary of ten-year baseline projections for U.S. agricultural markets prepared by the Food and Agricultural Policy Research Institute (FAPRI). FAPRI is a joint institute of Iowa State University and the University of Missouri that provides analysis of agricultural markets and policies for Congress and other decision makers.

Each year, FAPRI prepares a set of baseline projections that provide information about the outlook for agricultural markets, farm program spending, farm income, and a variety of other indicators. This baseline then serves as the point of comparison for analyses of alternative policy options.

The process that led to this baseline began last November, when FAPRI analysts prepared a preliminary set of projections. These were reviewed at a December workshop in Washington, D.C. The comments received from market experts were incorporated along with other new information, in this revised baseline, prepared in late January.

The baseline is not a forecast of what will happen, but rather a projection of what could happen under a particular set of assumptions. Current global policies are held in place, even when there is reason to suspect changes are likely. Because the analysis was conducted in January 2005, it does not reflect market or policy developments that have occurred since that time. For purposes of the baseline, we assume that when the Farm Security and Rural Investment Act (the 2002 farm bill) expires in 2007, all of its provisions will be extended indefinitely. In addition to assuming that current policies remain in place, we assume that:

- average weather conditions prevail in the United States and around the world,
- the U.S. and world economies grow in line with projections developed by Global Insight, and
- productivity generally increases in line with past trends.

In reality, these assumptions are certain to be violated and actual market outcomes will differ from the deterministic baseline projections presented in the supply-and-use tables. Recognizing this fact, FAPRI also conducts stochastic analysis that considers at least some of the underlying variability and unpredictability of agricultural markets. In essence, FAPRI looks at 500 different possible futures that differ from each other in terms of assumptions about things like annual weather patterns.

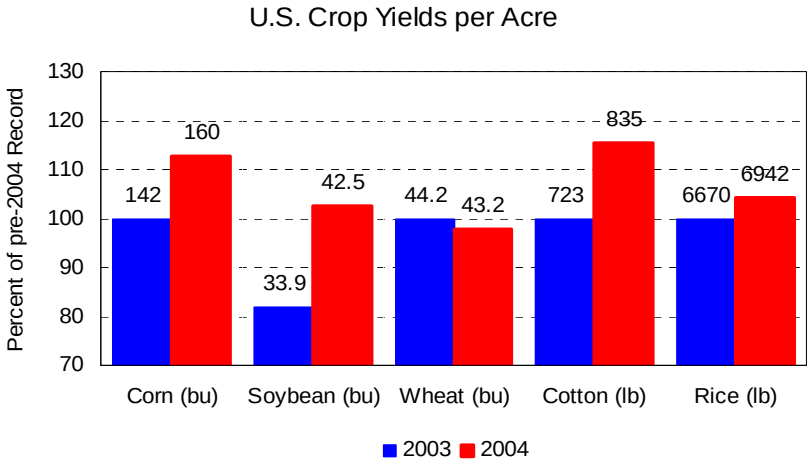
Given our approach, the average results from the stochastic aanalysis are generally similar to the deterministic results reported in the supply-and-use tables. Important exceptions are often related to the effects of farm programs. Under several programs, government spending is near zero when prices are above a certain level but can escalate quickly when prices fall below the trigger. In general, our analysis has found that estimated government program costs and farm income tend to be greater when one considers the inherent variability of agricultural markets than would be implied by the deterministic analysis.

To better reflect the variable nature of agricultural markets, the projections of government farm program costs and net farm income reported here represent the averages of the results of the stochastic analysis, and not the point estimates consistent with the deterministic market projections reported in the supply and use tables. This choice is consistent with our practices of the past three years and our general use of a stochastic approach when examining the impacts of farm policy alternatives.

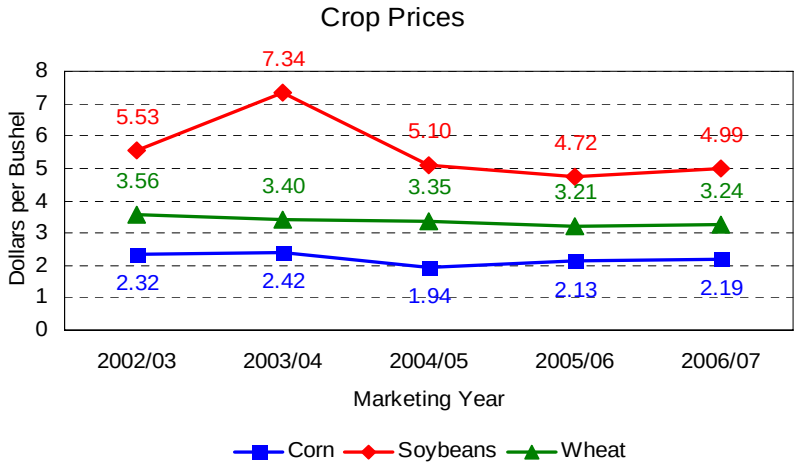
This report focusing on U.S. markets was prepared by the FAPRI unit at the University of Missouri, but it could not have been done without the help of a number of colleagues at other institutions. The FAPRI team at Iowa State took the lead in developing estimates related to international markets and the crop insurance program. The University of Arkansas took primary responsibility for developing rice market projections, and colleagues at Arizona State University developed projections for fruit and vegetable markets. Finally, the team at the Agriculture and Food Policy Center at Texas A&M has translated these national results into estimates of effects for a number of representative farms around the country. We thank all of these colleagues and our reviewers for their help in this collaborative project.

Executive Summary

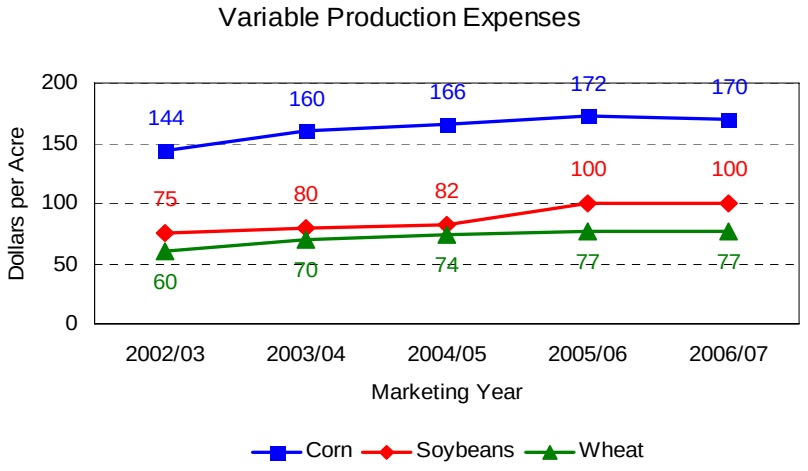
- U.S. corn, soybean, upland cotton, and rice yields all set records in 2004.
- For corn and cotton, 2004 yields broke records set just one year earlier by 13 percent and 15 percent, respectively.
- Soybean yields rebounded in 2004 from very low levels in 2003. While wheat yields dipped slightly in 2004, they fell only 2 percent short of the 2003 record.



- Large 2004 crops in the U.S. and around the world have led to lower prices for corn, soybeans, cotton, and other crops.
- With normal growing conditions and yields this summer, soybean and wheat prices could be lower during the 2005/06 marketing year than during 2004/05.
- In contrast, strong demand growth could lead to higher corn prices in 2005/06.



- Crop production costs have increased sharply since 2002 because of higher prices for fuel, fertilizer, and other inputs.
- The projections assume that soybean rust will result in significant additional costs for soybean producers in much of the country in 2005 and subsequent years.
- Projected production costs level off in 2006 in response to an assumed moderation in fuel prices.



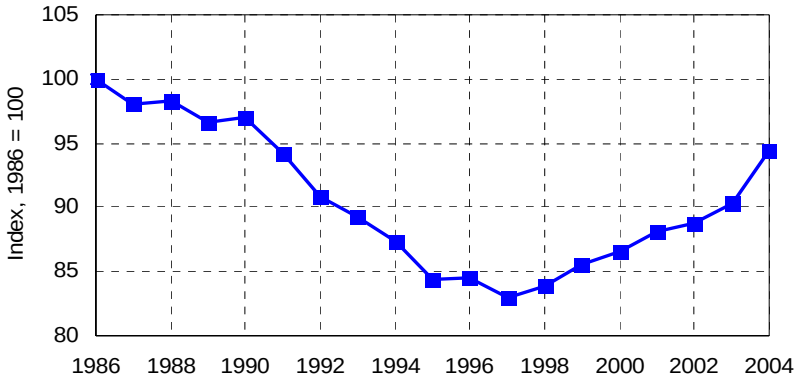
Executive Summary

- Phenomenal growth in consumer meat demand in 2004 supported livestock prices.

- Despite record retail prices for beef, pork, and chicken, meat consumption still reached an all-time high and real meat expenditures increased for the seventh straight year.

- Meat demand is expected to remain relatively strong over the next few years.

Real Meat Expenditures per Person

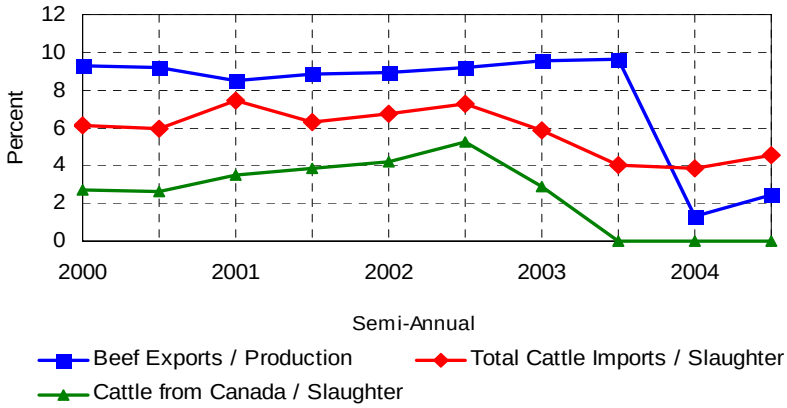


- Bovine spongiform encephalopathy (BSE) continues to restrict global cattle and beef trade.

- Import bans on U.S. beef instituted as a result of the December 2003 BSE case in Washington state remain in place, leading to additional beef supplies in the domestic market.

- Declines in producer prices, due to reduced beef exports, have been cushioned by no cattle imports from Canada resulting from BSE discoveries there beginning in May 2003.

U.S. Beef and Cattle Trade vs. Supply

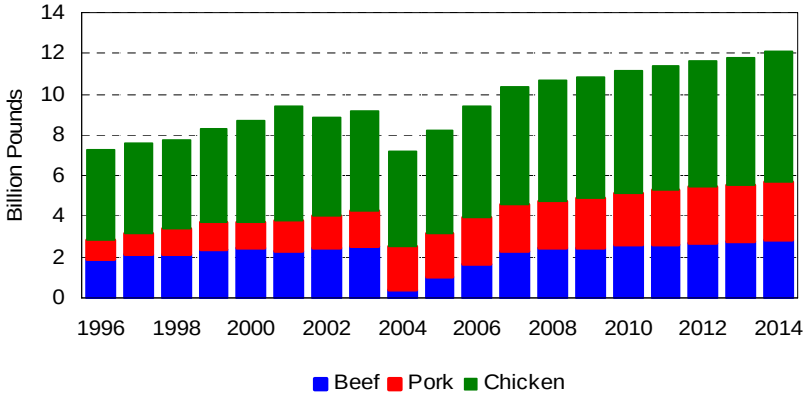


- Despite an impressive increase in pork exports in 2004, total U.S. meat export volume declined by over 20 percent.

- If countries begin to import U.S. beef over the next few months, total meat exports in 2006 should recover to more historical levels.

- Assuming no new animal disease outbreaks, global demand for U.S. meat products is expected to grow over the next decade.

Meat Exports



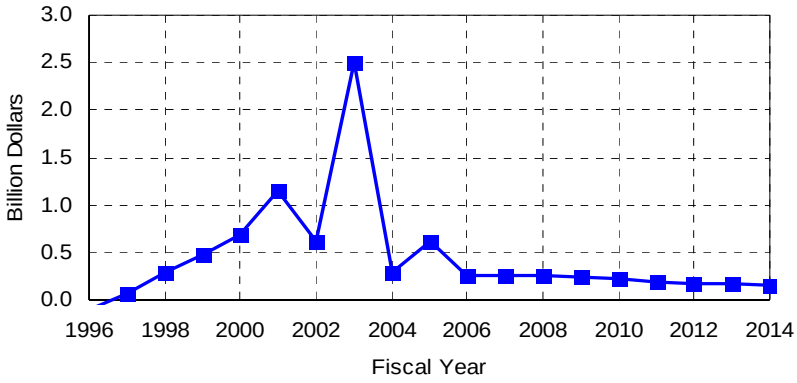
Executive Summary

- The Milk Income Loss Contract (MILC) program is not extended in the baseline beyond the current expiration date of September 30, 2005.

- Beginning in fiscal year (FY) 2006, dairy government costs are primarily price support activity and Dairy Export Incentive Program (DEIP) outlays.

- MILC outlays fell to $221 million in FY 2004 after reaching nearly $1.8 billion during the first year of the program.

Dairy Government Costs

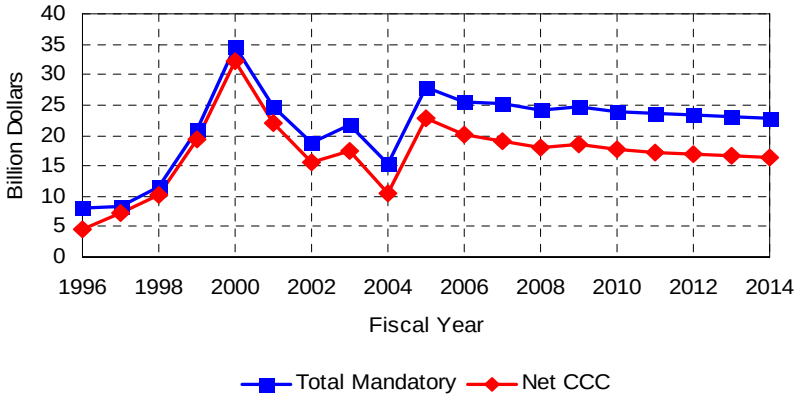


- After dipping well below levels projected when the 2002 farm legislation was approved, government farm program outlays jump sharply in FY 2005.

- Net outlays by the Commodity Credit Corporation (CCC) are estimated to reach $22.9 billion in FY 2005 and total $183.7 billion over FY 2005-2014.

- Adding crop insurance and conservation programs brings total mandatory outlays to $27.9 billion in FY 2005 and $244.5 billion over FY 2005-2014.

Government Outlays

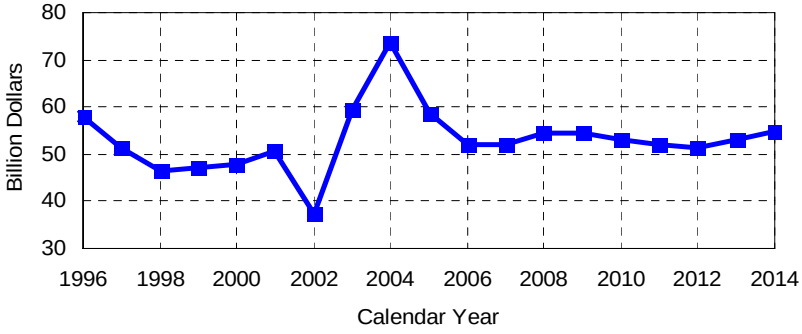


- Sharply increased receipts for both crops and livestock led to record levels of nominal net farm income in 2004.

- Lower projected commodity prices and an assumed return to normal yield levels cause reductions in net farm income in 2005 and 2006.

- Projected net farm income remains above $51 billion, higher in nominal terms than the levels of 1998-2002.

Net Farm Income

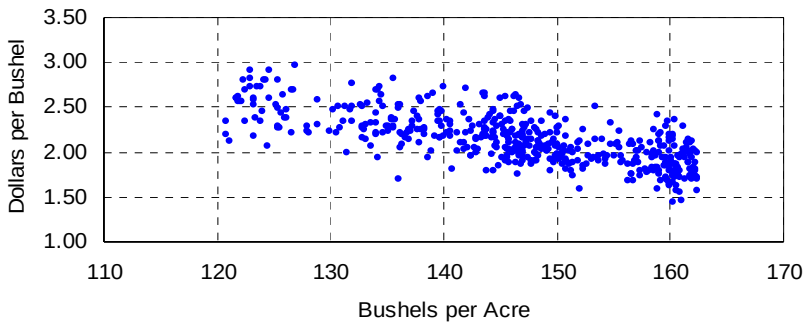


Executive Summary

- To reflect the uncertainty of agricultural markets, FAPRI uses stochastic analysis to examine 500 alternative future scenarios, based on different assumptions about yields, production costs, demand conditions, and other factors, while maintaining current policies across all the alternatives.

- Projected corn prices are generally lower when yields are higher, but other factors result in a range of possible prices at any given yield level.

2005 Corn Yields and Prices

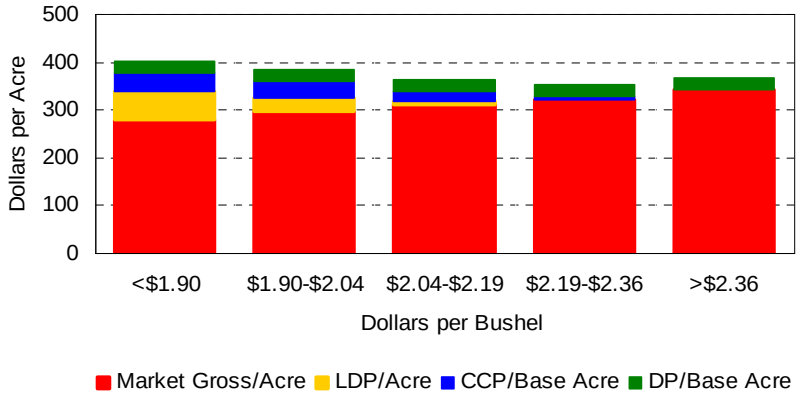


- Sorting the 500 outcomes by 2005/06 corn prices confirms that higher prices are correlated with higher levels of market returns per acre.

- Loan deficiency payments (LDPs) and counter-cyclical payments (CCPs) are only available when prices are low.

- Total returns per corn base acre planted to corn are actually lower, on average, when season-average prices are between $2.04 and $2.36 than when prices are below $1.90.

2005 Corn Prices and Returns

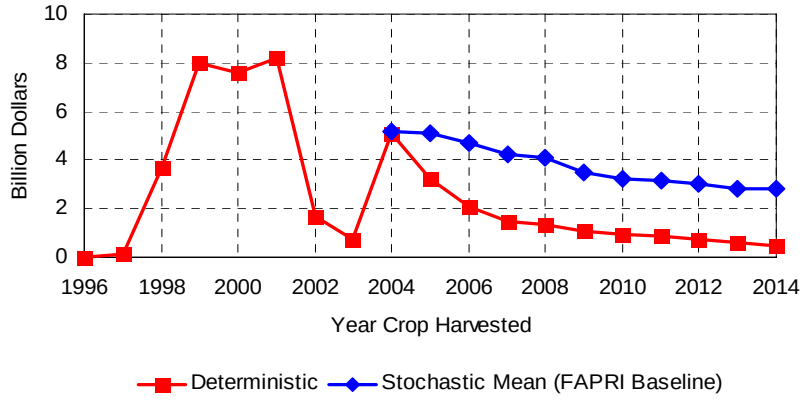


- At the deterministic prices in this report, projected marketing loan benefits diminish quickly after 2004/05.

- Taking into account the range of 500 possible outcomes, the stochastic average level of marketing loan benefits is much greater.

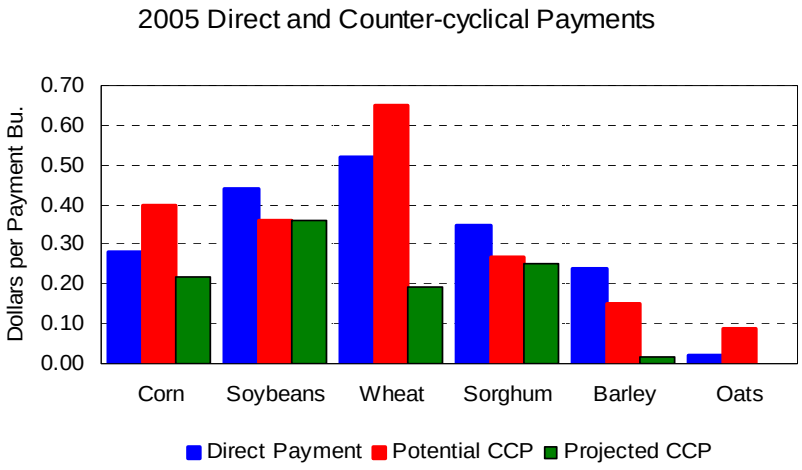
- This occurs because marketing loan benefits can be very large when prices are below average, but cannot be negative when prices are above average.

Marketing Loan Benefits

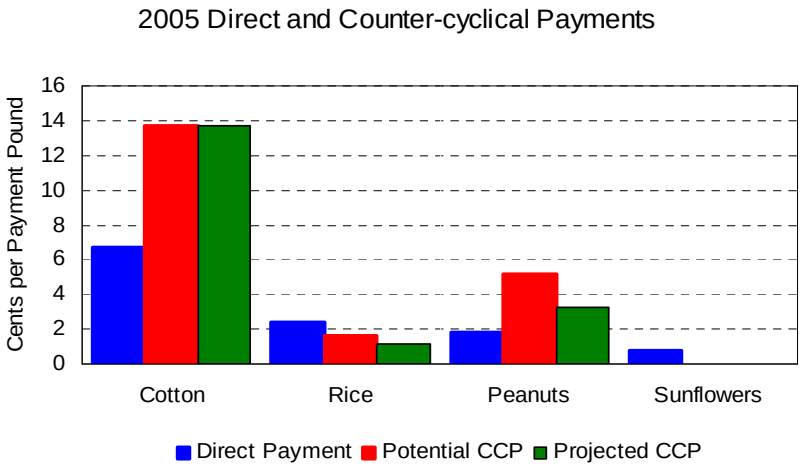


Policy Assumptions

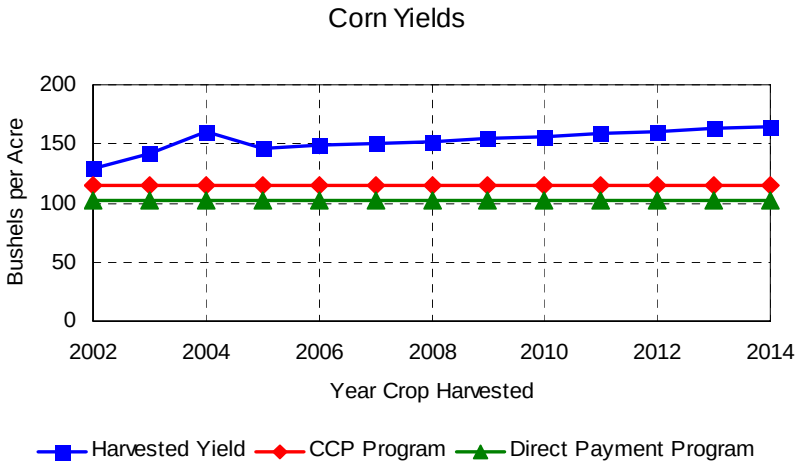
- The baseline assumes provisions of the Farm Security and Rural Investment Act, the 2002 farm bill.
- Provisions set to expire in 2007 are assumed to continue throughout the baseline.
- Loan rates, target prices, and direct payment (DP) rates are all held constant between 2004/05 and 2014/15.



- At projected 2005/06 prices, CCPs would be made for most major crops.
- When season average prices are below the loan rate, as projected for cotton and soybeans for 2005/06, CCPs are at their maximum allowed levels.
- DPs and CCPs depend on fixed base acreages and program yields, not on actual production.



- National average yields per harvested acre are generally well above DP and CCP program yields.
- In the case of corn, the projected 2005/06 yield of 146 bushels per harvested acre compares to a national average DP yield of 102 bushels per acre.
- Loan program benefits are currently available on all harvested production, but the President's budget would limit eligibility to 85 percent of the DP yield.



U.S. Crop Program Provisions, 2004-2014

	Direct Payment		Loan Rate		Target Price		Direct Paym't Yield		CCP Yield		2005 Base
	Level	Units	Level	Units	Level	Units	Level	Units	Level	Units	mil. a.
Corn	0.28	$/bu.	1.95	$/bu.	2.63	$/bu.	102.4	bu./a.	114.4	bu./a.	86.80
Sorghum	0.35	$/bu.	1.95	$/bu.	2.57	$/bu.	56.5	bu./a.	58.1	bu./a.	11.93
Barley	0.24	$/bu.	1.85	$/bu.	2.24	$/bu.	47.6	bu./a.	48.7	bu./a.	8.70
Oats	0.02	$/bu.	1.33	$/bu.	1.44	$/bu.	48.5	bu./a.	50.0	bu./a.	3.10
Wheat	0.52	$/bu.	2.75	$/bu.	3.92	$/bu.	34.5	bu./a.	36.1	bu./a.	75.46
Rice	2.35	$/cwt.	6.50	$/cwt.	10.50	$/cwt.	4,812	lb./a.	5,120	lb./a.	4.49
Soybeans	0.44	$/bu.	5.00	$/bu.	5.80	$/bu.	30.8	bu./a.	34.1	bu./a.	52.74
Sunflowers	0.80	cents/lb.	9.30	cents/lb.	10.10	cents/lb.	1,084	lb./a.	n.a.	lb./a.	1.83
Canola	0.80	cents/lb.	9.30	cents/lb.	10.10	cents/lb.	1,041	lb./a.	n.a.	lb./a.	0.72
Peanuts	1.80	cents/lb.	17.75	cents/lb.	24.75	cents/lb.	2,989	lb./a.	2,989	lb./a.	1.46
Upland Cotton	6.67	cents/lb.	52.00	cents/lb.	72.40	cents/lb.	603.7	lb./a.	638.4	lb./a.	18.41
Raw Cane Sugar	n.a.	n.a.	18.00	cents/lb.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Refined Beet Sugar	n.a.	n.a.	22.90	cents/lb.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

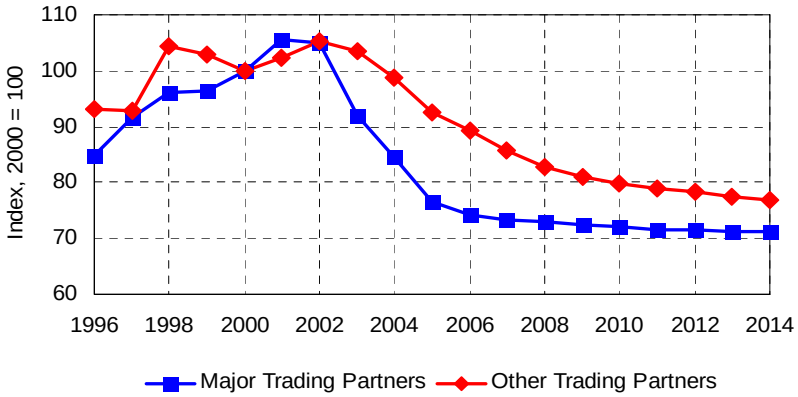
Dairy and Conservation Reserve Program Provisions

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					(Dollars per Hundredweight)						
Milk Support Price	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90
Nat'l Dairy Market Loss Pmt.	0.12	0.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
					(Million Acres)						
Conservation Reserve	34.89	35.75	36.50	37.25	37.25	37.50	38.00	38.50	38.50	38.50	38.50

Macroeconomic Assumptions

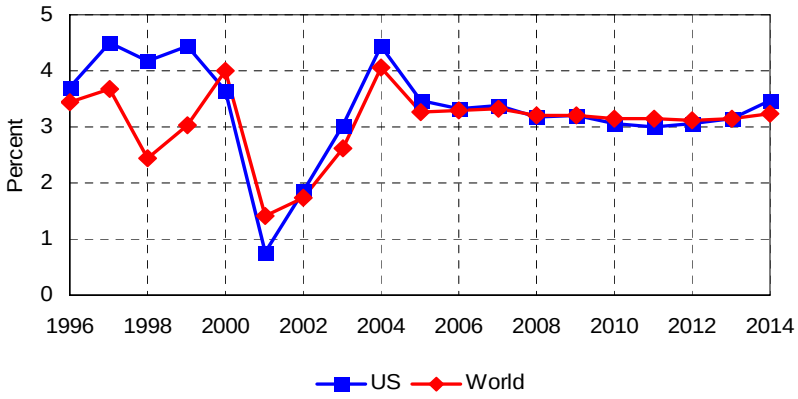
- The dollar depreciated against most foreign currencies for the second consecutive year in 2004.
- Global Insight projects further dollar depreciation in 2005, with no return to the strength seen over the early part of this decade during the next ten years.
- The assumption of a weakening dollar lends itself to larger projections of U.S. net exports.

Inflation-Adjusted Exchange Rates



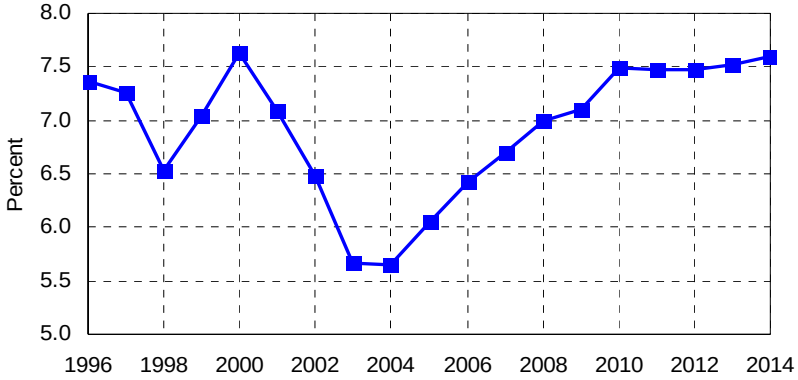
- The U.S. economy grew by nearly 4.5 percent in 2004, a rate not experienced since the late 1990s.
- World economic output also flourished in 2004, posting its third consecutive year of stronger growth.
- Though economic growth rates are projected to slow this year for both the U.S. and world, a relatively positive outlook of over 3 percent annual growth is anticipated over the next decade.

Real GDP Growth



- Interest rates on AAA bonds fell slightly in 2004, the fourth consecutive year of decline.
- Increasing interest rates over the remainder of the projection are a function of projections for a strong U.S. economy.
- The higher interest rates will push interest costs for agriculture $4 billion higher over the projection

Interest Rate on AAA Bonds



U.S. Macroeconomic Assumptions

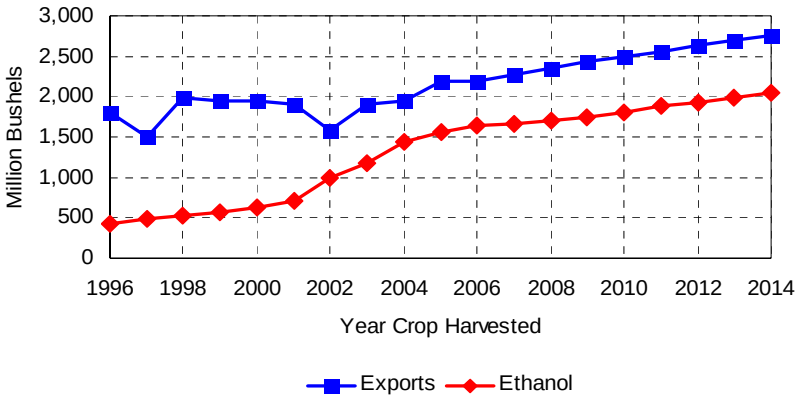
Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					(Percentage Change)						
Real GDP	4.4	3.5	3.3	3.4	3.2	3.2	3.1	3.0	3.1	3.1	3.5
Population Growth	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8
CPI, All Urban Consumers	2.7	2.3	1.6	1.8	2.0	2.3	2.4	2.7	2.8	2.7	2.7
PPI, All Commodities	6.1	3.2	-1.2	-0.6	-0.1	1.1	1.3	1.6	1.6	1.3	1.4
Wages & Salaries	2.6	3.2	3.5	3.7	3.7	3.5	3.5	3.6	3.6	3.4	3.5
					(Percent)						
Unemployment Rate	5.5	5.3	5.4	5.4	5.3	5.3	5.3	5.3	5.2	5.0	4.7
3-Month Treasury Bill Rate	1.4	3.0	3.4	3.8	4.1	4.4	5.0	5.1	5.1	5.1	5.2
Prime Rate, Commer. Banks	4.3	6.0	6.6	7.1	7.5	7.7	8.4	8.5	8.5	8.5	8.5
AAA Bond Rate	5.6	6.1	6.4	6.7	7.0	7.1	7.5	7.5	7.5	7.5	7.6
					(Dollars per Barrel)						
Refiners' Cost of Oil	37.04	38.95	33.19	32.07	31.39	31.46	31.42	31.10	30.83	31.14	32.25
Inflation-Adj. Exch. Rate					(Index, 2000=100)						
vs. Major Trading Partners	84.7	76.5	74.3	73.4	73.1	72.5	72.0	71.6	71.5	71.3	71.1
vs. Other Trading Partners	98.8	92.5	89.4	85.7	82.8	81.0	79.8	79.0	78.3	77.5	76.7
Foreign Real GDP Growth					(Percentage Change)						
Major Trading Partners	2.8	2.5	2.4	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2
Other Trading Partners	5.5	4.6	4.4	4.5	4.5	4.6	4.5	4.4	4.3	4.3	4.2

Source: Global Insight

U.S. Corn

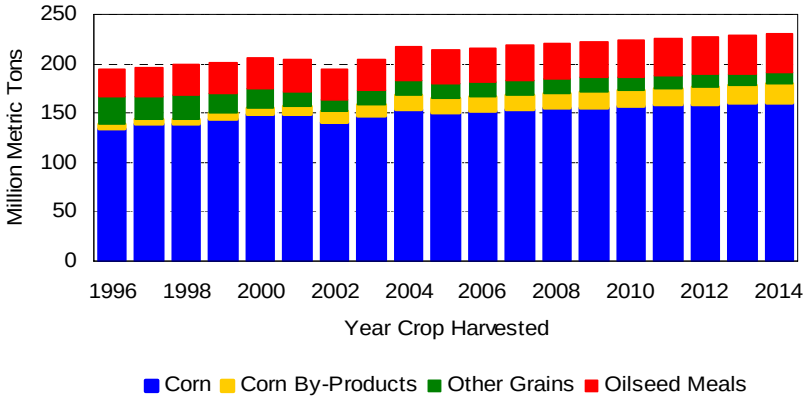
- Phenomenal 2004 corn yields have resulted in weaker corn prices, but markets have been supported by strong domestic demand.
- Greatly increased capacity has made it possible for ethanol producers to expand production sharply in response to current high fuel prices and low corn prices.
- Projected rapid growth in both ethanol production and corn exports provides fundamental support for corn markets.

Corn Exports and Use for Ethanol



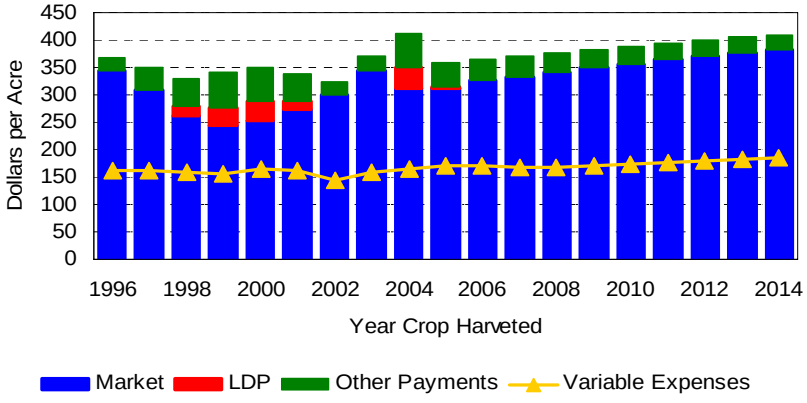
- In spite of the growth in ethanol and exports, the U.S. livestock sector continues to use most of the nation's corn production through 2014.
- After a slight dip in 2005/06, corn feed and residual use expands steadily.
- The quantity of corn by-products being fed in this country is nearing and will soon exceed the sum of wheat, barley, sorghum, and oats feed consumption.

Feed and Residual Disappearance



- Corn market returns per acre decline in 2004/05, as higher yields are more than offset by lower market prices.
- Adding in the effects of LDPs, CCPs, and DPs, however, total returns per base acre of corn planted to corn reach record levels in 2004/05.
- Projected total returns decline in 2005/06, as the effects of lower yields and payments more than offset the impact of higher prices.

Corn Returns



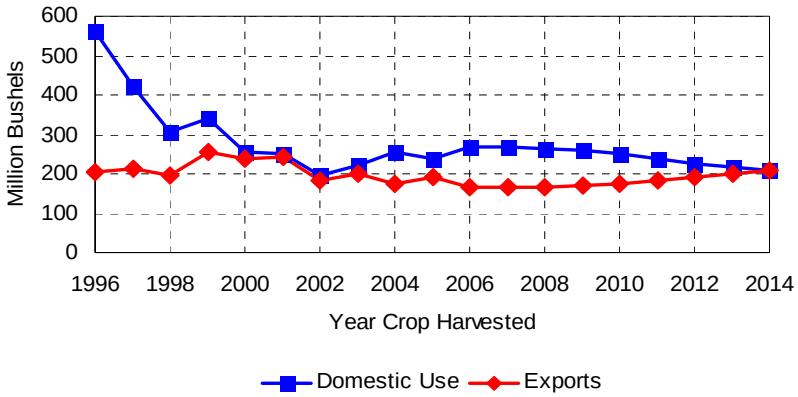
U.S. Corn Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Base Area	86.8	86.8	86.8	86.8	86.8	86.8	86.7	86.7	86.7	86.7	86.7
Planted Area	80.9	81.0	82.2	82.8	83.4	83.2	83.5	83.5	83.7	83.8	83.8
Harvested Area	73.6	73.4	74.6	75.2	75.8	75.7	76.0	76.1	76.3	76.5	76.5
Yield						(Bushels per Acre)					
Actual	160.4	146.2	148.2	150.3	152.3	154.4	156.4	158.5	160.5	162.6	164.6
Program, Direct	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4
Program, CCP	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4
						(Million Bushels)					
Supply	12,780	12,694	12,681	12,813	12,994	13,133	13,289	13,445	13,615	13,792	13,968
Beginning Stocks	958	1,942	1,614	1,494	1,437	1,428	1,386	1,369	1,347	1,344	1,353
Production	11,807	10,737	11,053	11,304	11,542	11,690	11,888	12,061	12,253	12,433	12,600
Imports	15	15	15	15	15	15	15	15	15	15	15
Domestic Use	8,889	8,886	9,002	9,097	9,206	9,311	9,431	9,540	9,644	9,742	9,832
Feed, Residual	6,077	5,934	5,977	6,038	6,104	6,143	6,193	6,232	6,269	6,303	6,329
Fuel Alcohol	1,430	1,571	1,638	1,659	1,696	1,751	1,813	1,876	1,934	1,990	2,045
HFCS	532	530	531	539	538	543	545	547	549	552	555
Seed	21	21	21	21	21	21	21	21	21	21	21
Food, Other	829	830	835	840	846	852	858	864	870	876	882
Exports	1,950	2,194	2,185	2,279	2,360	2,436	2,490	2,558	2,627	2,698	2,765
Total Use	10,839	11,080	11,187	11,376	11,566	11,747	11,920	12,099	12,270	12,440	12,597
Ending Stocks	1,942	1,614	1,494	1,437	1,428	1,386	1,369	1,347	1,344	1,353	1,370
CCC Inventory	1	0	0	0	0	0	0	0	0	0	0
Under Loan	332	311	319	311	312	300	296	287	284	284	287
Other Stocks	1,608	1,303	1,175	1,126	1,116	1,086	1,073	1,059	1,061	1,069	1,083
Prices and Returns						(Dollars)					
Farm Price/bu.	1.94	2.13	2.19	2.22	2.23	2.26	2.28	2.30	2.32	2.32	2.33
Loan Rate/bu.	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Average LDP Rate/bu.	0.24	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target Price/bu.	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
CCP Rate/bu.	0.40	0.22	0.16	0.13	0.12	0.09	0.07	0.05	0.03	0.03	0.02
Direct Payment/bu.	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Gross Market Revenue/a.	311.59	312.02	325.11	333.78	339.74	348.68	356.00	364.67	371.90	377.87	382.88
LDP Revenue/a.	38.09	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Variable Expenses/a.	165.99	171.93	170.47	168.85	167.82	169.71	172.20	175.21	178.17	180.97	183.98
Mkt+LDP Net Returns/a.	183.69	142.58	154.63	164.92	171.92	178.97	183.80	189.46	193.73	196.90	198.90
CCP Revenue/Base a.	38.90	21.05	15.25	12.54	11.61	8.86	7.18	4.73	3.21	2.48	2.35
Direct Payment/Base a.	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37

U.S. Sorghum and Barley

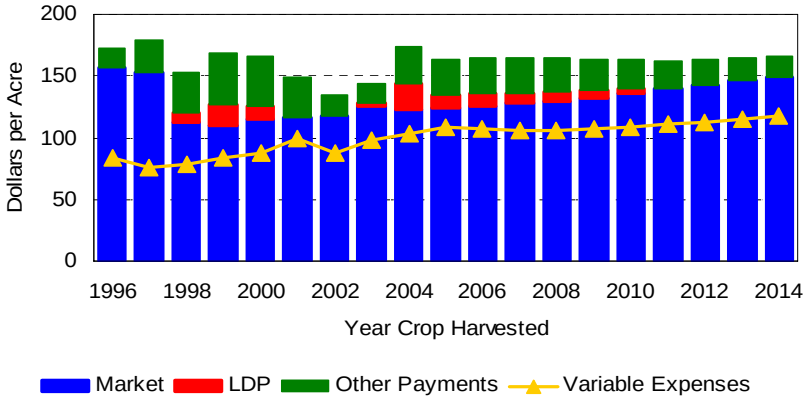
- Increased sorghum yields and production in 2004 have resulted in lower prices and increased sorghum feed use.
- Ethanol production from sorghum has increased over the last two years.
- Export demand for sorghum may be weak for the next several years, as planned corn tariff reductions may make corn more competitive in Mexican feed rations.

Sorghum Utilization



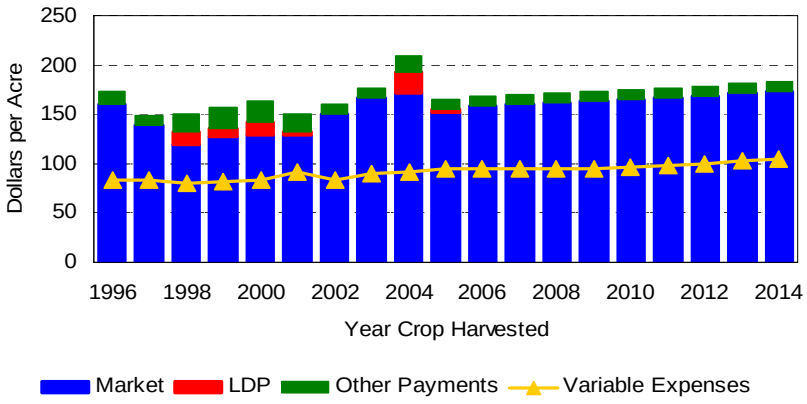
- In 2004/05, the effects of higher yields largely offset reductions in sorghum prices, leaving sorghum market returns per acre only slightly below 2003/04 levels.
- The increase in sorghum LDPs and CCPs caused by lower prices results in a significant increase in 2004/05 total returns per acre.
- Projected returns dip slightly in 2005/06 because of the assumed return to trend yields.

Sorghum Returns



- Barley market returns per acre increase slightly in 2004/05, as higher 2004 yields more than offset the effect of lower prices.
- Lower prices in 2004/05 result in marketing loan benefits and CCPs, so total returns are up sharply from the previous year.
- Projected barley returns decline in 2005/06, in part because higher feed barley prices reduce LDPs and CCPs.

Barley Returns



U.S. Sorghum Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area					(Million Acres)						
Planted Area	7.49	8.15	8.32	8.24	8.14	8.04	7.92	7.80	7.70	7.65	7.62
Harvested Area	6.52	6.70	6.85	6.77	6.69	6.59	6.48	6.38	6.28	6.24	6.21
					(Bushels per Acre)						
Yield	69.8	63.2	63.6	64.1	64.5	64.9	65.5	65.9	66.4	66.8	67.2
Supply and Use					(Million Bushels)						
Production	455	424	436	434	431	428	425	420	417	417	417
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	256	239	267	268	265	259	251	240	226	216	208
Exports	175	191	167	166	166	170	174	183	192	202	210
Ending Stocks	57	50	52	52	52	51	50	48	46	45	45
Prices and Payments					(Dollars per Bushel)						
Farm Price	1.76	1.97	1.96	1.99	2.01	2.04	2.07	2.12	2.16	2.19	2.22
Average LDP Rate	0.30	0.16	0.17	0.14	0.12	0.09	0.05	0.01	0.00	0.00	0.00
CCP Rate	0.27	0.25	0.26	0.23	0.21	0.18	0.15	0.10	0.06	0.03	0.00
Direct Payment	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35

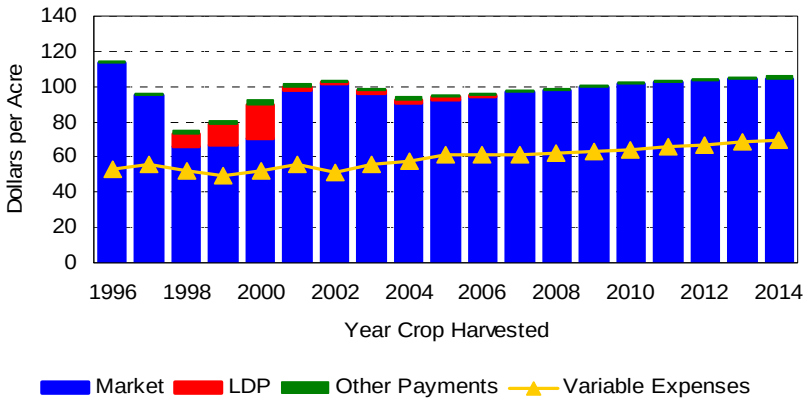
U.S. Barley Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area					(Million Acres)						
Planted Area	4.53	4.69	4.40	4.36	4.34	4.27	4.22	4.16	4.12	4.08	4.04
Harvested Area	4.02	4.15	3.90	3.86	3.84	3.78	3.74	3.69	3.65	3.61	3.58
					(Bushels per Acre)						
Yield	69.4	61.7	62.5	63.0	63.6	64.2	64.7	65.3	65.9	66.4	67.0
Supply and Use					(Million Bushels)						
Production	279	256	243	243	244	243	242	241	240	240	240
Imports	20	20	20	20	20	20	20	20	20	20	20
Domestic Use	282	254	244	242	240	237	235	232	231	231	232
Exports	16	22	21	22	24	26	27	29	30	29	28
Ending Stocks	122	122	120	120	120	120	120	119	119	119	119
Prices and Payments					(Dollars per Bushel)						
All Barley Farm Price	2.48	2.46	2.53	2.55	2.54	2.55	2.55	2.56	2.56	2.57	2.59
Feed Barley Price	1.82	1.98	2.04	2.06	2.06	2.08	2.09	2.10	2.11	2.12	2.13
Average LDP Rate	0.30	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CCP Rate	0.15	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24

U.S. Oats and Hay

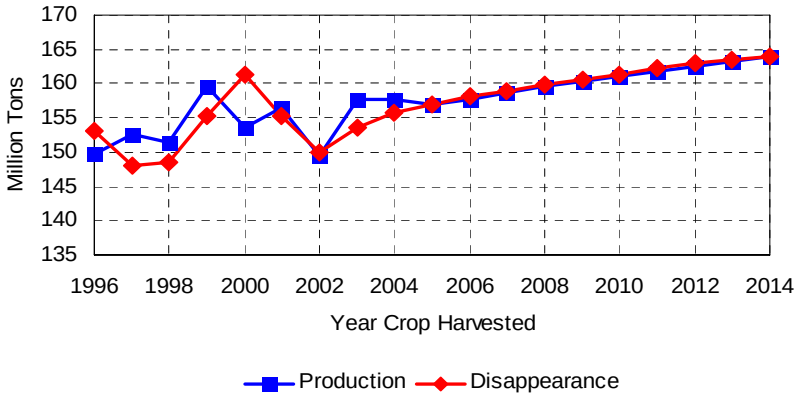
- Oats production declined sharply in 2004/05 because of reduced area planted and harvested.
- Projected oats area harvested remains below 2 million acres over the next 10 years.
- In contrast to other field crops, government payments contribute little to oats net returns at the price levels projected.

Oats Returns



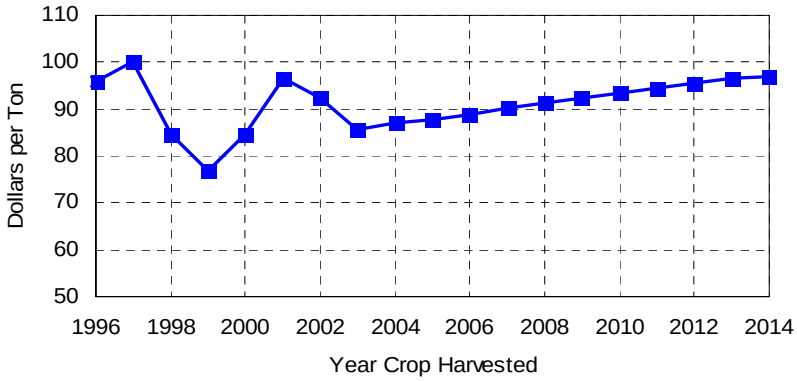
- For the second year in a row, a good hay crop has resulted in production in excess of domestic consumption in 2004/05.
- With a growing cattle herd, domestic consumption of hay is projected to increase, although at a slower pace than over the last two years.
- Hay area is relatively stable, so most of the growth in hay production results from slowly increasing yields.

Hay Production and Disappearance



- In spite of higher production and projected carry-out, national average hay prices may be slightly higher in 2004/05 than in the previous year.
- Projected hay prices increase slowly, given the balance between supply and demand.
- Hay markets are more fragmented than markets for most other agricultural commodities, so trends in national average prices may not be reflected at the local level.

Hay Price



U.S. Oats Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Planted Area	4.09	4.18	4.20	4.15	4.12	4.08	4.05	4.02	3.99	3.96	3.93
Harvested Area	1.79	1.88	1.89	1.86	1.83	1.81	1.79	1.77	1.75	1.73	1.71
						(Bushels per Acre)					
Yield	64.7	62.8	63.0	63.3	63.5	63.8	64.0	64.3	64.5	64.7	65.0
Supply and Use						(Million Bushels)					
Production	116	118	119	118	117	115	114	114	113	112	111
Imports	86	91	91	91	91	91	92	92	92	92	92
Domestic Use	206	208	208	207	206	205	204	203	202	202	201
Exports	3	3	3	3	3	3	3	3	3	3	3
Ending Stocks	58	56	55	54	53	52	51	50	50	49	49
Prices and Payments						(Dollars per Bushel)					
Farm Price	1.40	1.47	1.50	1.53	1.54	1.57	1.58	1.60	1.61	1.61	1.61
Average LDP Rate	0.03	0.04	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CCP Rate	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02

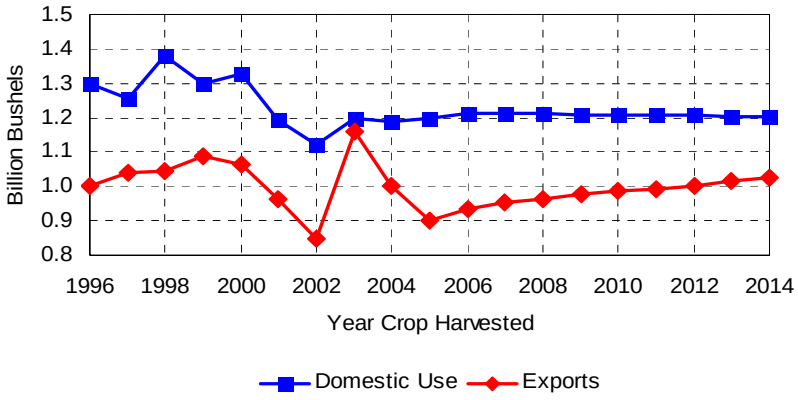
U.S. Hay Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
						(Million Acres)					
Harvested Area	61.9	62.7	62.8	62.8	62.9	63.0	63.1	63.1	63.1	63.1	63.2
						(Tons per Acre)					
Yield	2.55	2.50	2.51	2.52	2.53	2.55	2.56	2.57	2.58	2.59	2.59
Supply and Use						(Million Tons)					
Production	157.8	157.0	157.7	158.6	159.5	160.4	161.2	161.8	162.5	163.2	163.9
Disappearance	155.8	157.0	158.1	159.0	159.8	160.7	161.4	162.2	162.9	163.5	164.0
Ending Stocks	27.9	27.9	27.6	27.2	26.9	26.6	26.4	26.0	25.6	25.4	25.2
Prices						(Dollars per Ton)					
All Hay (Crop Year)	87.19	87.66	88.84	90.26	91.25	92.31	93.24	94.38	95.63	96.58	97.11
Alfalfa (Calendar Year)	94.45	95.61	96.69	98.30	99.71	100.96	102.15	103.44	104.90	106.20	107.04

U.S. Wheat

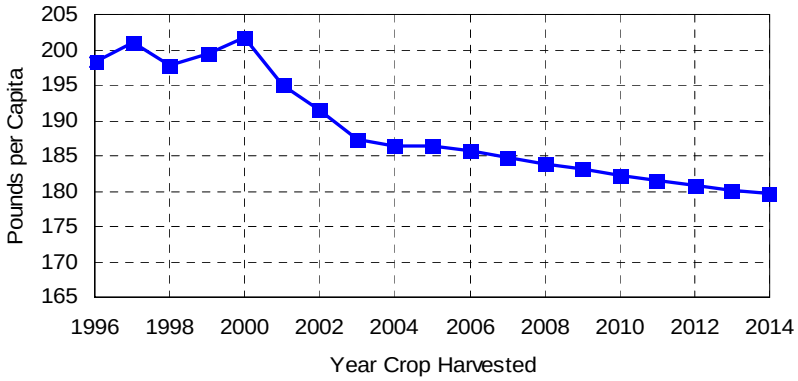
- Increased foreign competition and reduced U.S. supplies both contribute to reduced U.S. wheat exports in 2004/05 and 2005/06.
- While projected exports increase after 2005/06, they remain below the 2003/04 level.
- Projected domestic use of wheat is relatively flat over the next 10 years, as slight increases in food use are offset by small declines in feed consumption.

Wheat Utilization



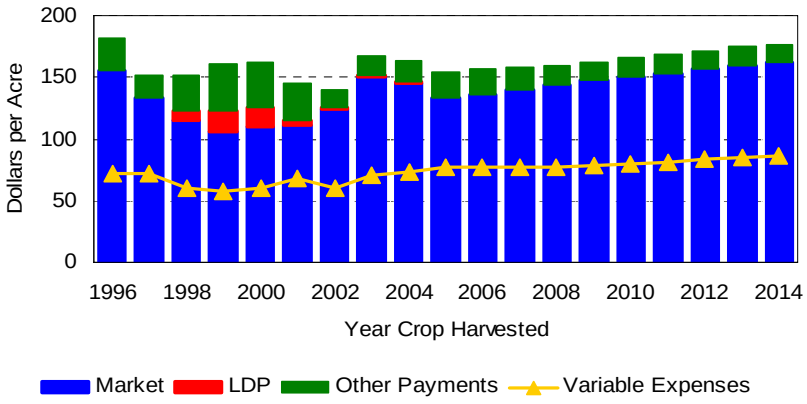
- Wheat food use per capita has declined sharply over the last four years.
- Total food use of wheat is projected to increase slightly, as the modest decline in per-capita consumption is more than offset by population growth.
- Identifying dietary trends is an inexact science, so there is considerable uncertainty about future demand for wheat, sugar, meat, and many other products.

Wheat Food Use per Capita



- For the second straight year, good yields contributed to strong market returns per acre for wheat producers in 2004/05.
- In response to lower yields and prices, market returns are projected to decline in 2005/06.
- Modest CCPs are projected for 2005/06 and 2006/07, but over the next 10 years, LDPs and CCPs are relatively small for wheat at deterministic baseline prices.

Wheat Returns



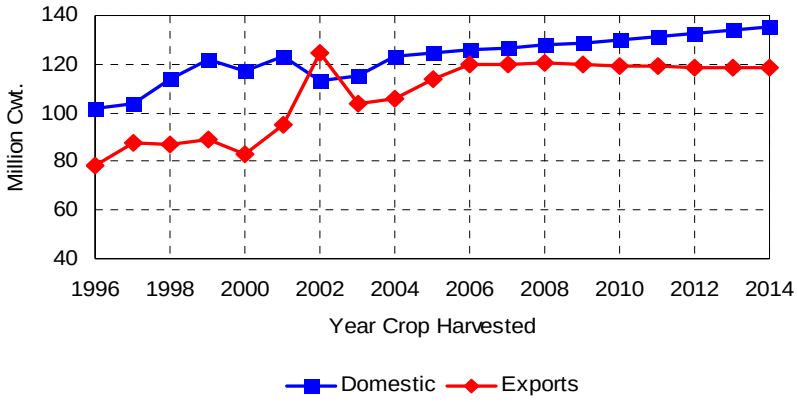
U.S. Wheat Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Base Area	75.5	75.5	75.4	75.4	75.4	75.4	75.4	75.3	75.3	75.3	75.3
Planted Area	59.7	58.1	58.7	58.3	58.1	58.0	57.9	57.8	57.6	57.5	57.4
Harvested Area	50.0	48.9	49.3	49.0	48.9	48.7	48.7	48.6	48.4	48.4	48.3
Yield						(Bushels per Acre)					
Actual	43.2	41.6	42.1	42.4	42.7	43.1	43.4	43.7	44.0	44.3	44.6
Program, Direct	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Program, CCP	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
						(Million Bushels)					
Supply	2,770	2,688	2,741	2,747	2,745	2,745	2,748	2,752	2,759	2,769	2,779
Beginning Stocks	546	579	590	593	580	572	562	555	553	550	549
Production	2,158	2,034	2,076	2,079	2,090	2,099	2,111	2,122	2,131	2,143	2,155
Imports	65	75	75	75	75	75	75	75	75	75	75
Domestic Use	1,191	1,197	1,212	1,212	1,210	1,207	1,205	1,206	1,206	1,205	1,204
Feed, Residual	202	198	209	206	200	193	187	184	179	173	167
Seed	79	80	79	79	79	80	80	80	80	80	80
Food, Other	910	919	923	927	931	935	939	943	948	952	957
Exports	1,000	902	936	955	963	976	987	993	1,002	1,015	1,024
Total Use	2,191	2,098	2,148	2,167	2,173	2,183	2,192	2,199	2,208	2,219	2,228
Ending Stocks	579	590	593	580	572	562	555	553	550	549	551
CCC Inventory	60	60	60	60	60	60	60	60	60	60	60
Under Loan	58	63	62	58	56	53	51	49	47	46	45
Other Stocks	461	467	471	462	456	449	444	444	443	444	446
Prices and Returns						(Dollars)					
Farm Price/bu.	3.35	3.21	3.24	3.31	3.36	3.42	3.47	3.51	3.56	3.60	3.63
Loan Rate/bu.	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Average LDP Rate/bu.	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target Price/bu.	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92
CCP Rate/bu.	0.05	0.19	0.16	0.09	0.04	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/bu.	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
Gross Market Revenue/a.	144.62	133.32	136.47	140.39	143.41	147.11	150.40	153.34	156.56	159.45	161.78
LDP Revenue/a.	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Variable Expenses/a.	73.55	76.52	76.52	76.84	77.28	78.60	80.04	81.63	83.20	84.66	86.20
Mkt+LDP Net Returns/a.	72.57	56.80	59.96	63.55	66.13	68.51	70.36	71.71	73.36	74.78	75.59
CCP Revenue/Base a.	1.52	5.91	4.79	2.72	1.32	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/Base a.	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25

U.S. Rice

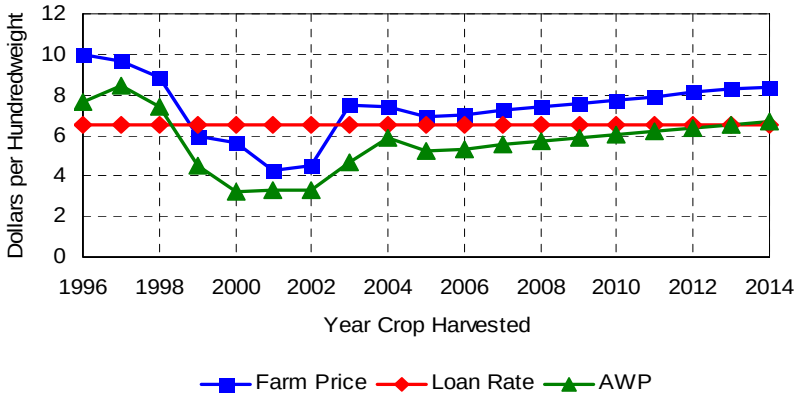
- Increased U.S. rice production in 2004 allows domestic use, exports, and ending stocks to all increase in 2004/05.
- Modest projected growth in domestic rice consumption largely reflects population growth.
- Increased rice exports in 2005/06 and 2006/07 would make it possible to bring rice stocks down to more normal levels.

Rice Utilization



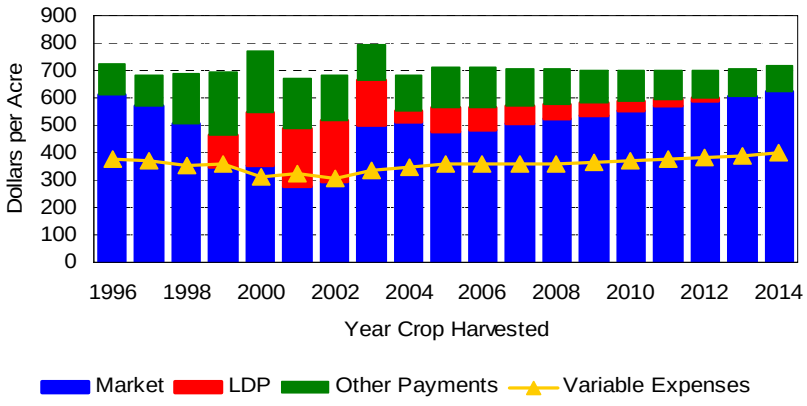
- Domestic rice prices have been unexpectedly strong in 2004/05, given the large increase in rice production and stocks.
- World rice prices have increased because of strong global demand.
- Increases in the adjusted world price (AWP) relative to the U.S. farm price for rice actually reduce producer returns, as they result in smaller loan program benefits.

Rice Prices



- Market returns per acre for rice increase in 2004/05, as higher yields offset a slight decline in prices.
- Government payments to rice producers are sharply lower in 2004/05, primarily because the increase in the AWP has reduced LDPs and marketing loan gains.
- Projected total rice returns are relatively flat, as changes in market returns are offset by changes in government payments.

Rice Returns



U.S. Rice Supply and Utilization

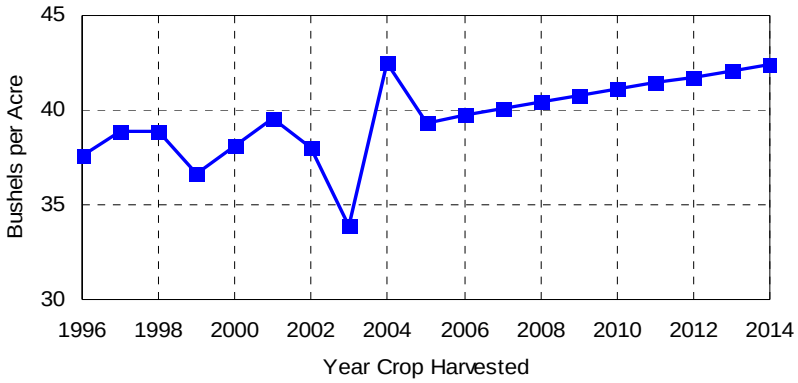
Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Base Area	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49
Planted Area	3.35	3.19	3.36	3.37	3.35	3.32	3.30	3.28	3.25	3.23	3.22
Harvested Area	3.33	3.17	3.34	3.34	3.33	3.30	3.27	3.25	3.23	3.20	3.20
Yield						(Pounds per Acre)					
Actual	6,942	6,842	6,908	6,974	7,037	7,099	7,161	7,222	7,284	7,345	7,408
Program, Direct	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812
Program, CCP	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120
						(Million Cwt.)					
Supply	268.2	269.6	275.7	277.3	279.3	280.1	281.3	282.4	283.2	284.0	285.9
Beginning Stocks	23.7	39.7	31.6	30.3	30.6	31.2	31.6	31.9	32.1	32.1	32.1
Production	230.8	216.7	230.5	233.0	234.2	234.0	234.5	234.8	234.9	235.3	236.7
Imports	13.7	13.2	13.6	14.0	14.4	14.8	15.2	15.7	16.1	16.6	17.0
Domestic Use	123.0	124.3	125.8	126.6	127.8	128.9	130.1	131.4	132.5	133.7	135.0
Exports	105.5	113.7	119.7	120.0	120.3	119.5	119.3	118.9	118.6	118.2	118.7
Total Use	228.5	238.0	245.5	246.7	248.0	248.5	249.4	250.3	251.0	251.9	253.7
Ending Stocks	39.7	31.6	30.3	30.6	31.2	31.6	31.9	32.1	32.1	32.1	32.2
CCC Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Stocks	39.7	31.6	30.3	30.6	31.2	31.6	31.9	32.1	32.1	32.1	32.2
Prices and Returns						(Dollars)					
Farm Price/cwt	7.40	6.96	6.98	7.26	7.42	7.58	7.73	7.89	8.09	8.27	8.41
Adjusted World Price/cwt.	5.88	5.24	5.29	5.57	5.74	5.90	6.03	6.18	6.37	6.53	6.65
Loan Rate/cwt.	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Average LDP Rate/cwt.	0.54	1.27	1.22	0.94	0.76	0.61	0.47	0.33	0.14	0.00	0.00
Target Price/cwt.	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
CCP Rate/cwt.	0.75	1.19	1.17	0.89	0.73	0.57	0.42	0.26	0.06	0.00	0.00
Direct Payment/cwt.	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
Gross Market Revenue/a.	513.89	475.93	482.28	506.30	521.95	538.17	553.28	569.85	589.59	607.22	623.31
LDP Revenue/a.	37.71	86.67	84.27	65.31	53.79	42.99	33.96	23.65	10.05	0.00	0.00
Variable Expenses/a.	348.45	359.17	357.35	357.44	358.50	364.19	370.25	377.22	384.16	390.64	397.61
Mkt + LDP Net Returns/a.	203.15	203.43	209.21	214.18	217.24	216.97	216.99	216.27	215.49	216.58	225.70
CCP Revenue/Base a.	32.52	51.98	50.84	38.73	31.87	24.78	18.43	11.31	2.42	0.00	0.00
Direct Payment/Base a.	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13

U.S. Soybeans

- U.S. soybean yields were at the lowest levels in 10 years in 2003, but rebounded to set a new record in 2004.

- Assuming average growing conditions and no significant effects from soybean rust or other factors, soybean yields are assumed to return to the long-term trend in 2005.

Soybean Yields

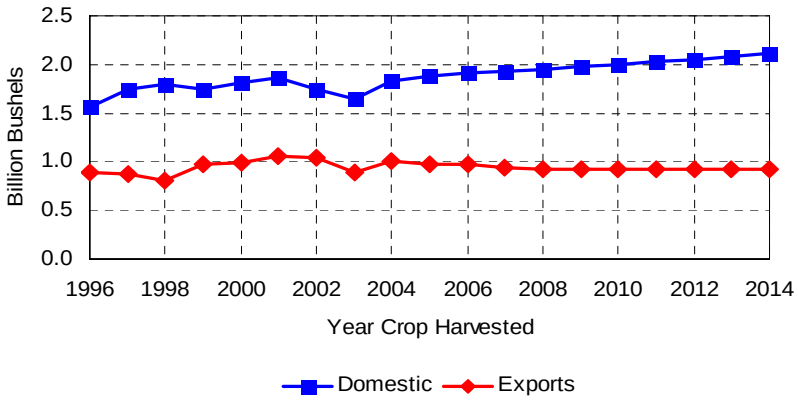


- Increased supplies and lower prices contribute to increases in domestic soybean crush and exports in 2004/05.

- Continued expansion of South American soybean production limits U.S. soybean export potential.

- Domestic soybean crush increases with domestic demand for soybean meal and oil.

Soybean Utilization

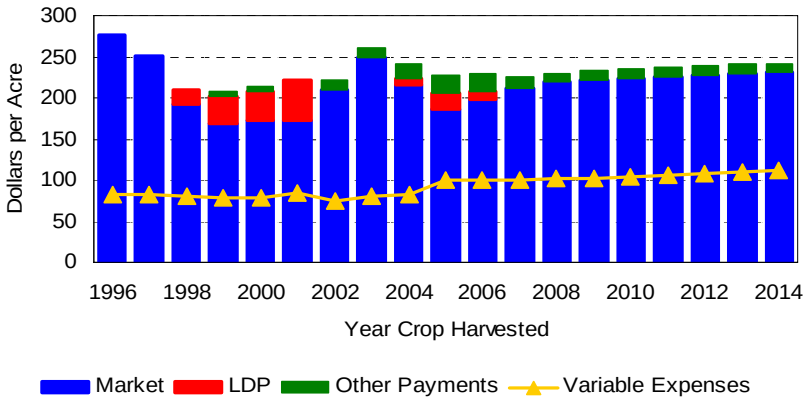


- Soybean market returns decline in 2004/05, as the decline in prices more than offsets the increase in yields.

- Lower prices result in soybean LDPs and CCPs in 2004/05 and especially in 2005/06.

- Soybean net returns are reduced in 2005/06 and subsequent years by the assumed costs associated with controlling soybean rust.

Soybean Returns



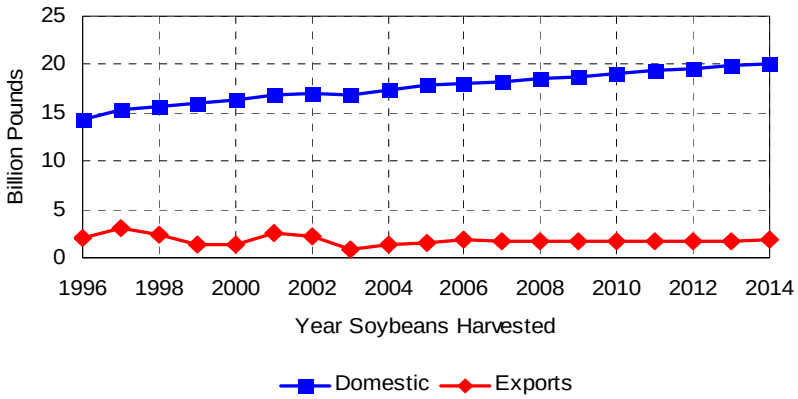
U.S. Soybean Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area					(Million Acres)						
Base Area	52.8	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7
Planted Area	75.2	72.9	72.2	71.9	71.8	72.4	72.3	72.4	72.4	72.5	72.6
Harvested Area	74.0	71.6	71.0	70.7	70.5	71.1	71.1	71.2	71.2	71.2	71.4
Yield					(Bushels per Acre)						
Actual	42.5	39.3	39.7	40.1	40.4	40.7	41.1	41.4	41.8	42.1	42.4
Program, Direct	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8
Program, CCP	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
					(Million Bushels)						
Supply	3,258	3,245	3,215	3,172	3,157	3,192	3,217	3,246	3,274	3,304	3,336
Beginning Stocks	112	423	392	337	301	289	291	293	297	301	304
Production	3,141	2,817	2,817	2,831	2,851	2,898	2,922	2,948	2,973	2,999	3,027
Imports	5	5	5	5	5	5	5	5	5	5	5
Domestic Use	1,825	1,885	1,912	1,924	1,942	1,974	1,999	2,024	2,049	2,077	2,107
Crush	1,670	1,734	1,761	1,772	1,788	1,817	1,839	1,861	1,884	1,909	1,936
Seed, Residual	155	151	151	151	154	157	160	163	166	169	172
Exports	1,011	967	966	948	927	927	925	926	925	923	920
Total Use	2,836	2,853	2,878	2,872	2,868	2,901	2,924	2,949	2,974	3,000	3,027
Ending Stocks	423	392	337	301	289	291	293	297	301	304	309
CCC Inventory	0	0	0	0	0	0	0	0	0	0	0
Under Loan	52	39	50	59	51	50	50	49	49	49	50
Other Stocks	371	354	287	242	238	241	244	248	252	255	259
Prices and Returns						(Dollars)					
Farm Price/bu.	5.10	4.72	4.99	5.27	5.41	5.42	5.43	5.44	5.44	5.44	5.43
Ill. Proc. Price/mt	201.57	187.93	197.79	207.65	212.72	213.13	213.41	213.78	213.79	213.80	213.45
Loan Rate/bu.	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Average LDP Rate/bu.	0.14	0.50	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target Price/bu.	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80
CCP Rate/bu.	0.26	0.36	0.36	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/bu.	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Gross Market Revenue/a.	216.59	185.53	198.30	211.15	218.76	220.97	223.15	225.43	227.26	229.07	230.42
LDP Revenue/a.	6.07	19.67	8.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Variable Expenses/a.	81.80	100.29	100.31	100.78	101.42	102.84	104.35	106.06	107.76	109.32	110.98
Mkt+LDP Net Returns/a.	140.86	104.91	106.89	110.37	117.34	118.13	118.80	119.37	119.49	119.75	119.44
CCP Revenue/Base a.	7.54	10.43	10.43	2.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/Base a.	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52
Bean/Corn Price Ratio	2.62	2.21	2.28	2.37	2.43	2.40	2.39	2.36	2.35	2.34	2.34
48% Meal Price/ton	159.31	157.99	167.54	175.06	178.60	179.46	179.42	179.29	178.29	177.34	175.32
Oil Price/cwt.	22.48	20.86	21.39	21.93	22.22	22.25	22.39	22.60	22.90	23.29	23.86
Crushing Margin/bu.	0.81	0.97	0.99	0.96	0.94	0.95	0.96	0.97	0.98	1.00	1.02

U.S. Soybean Products

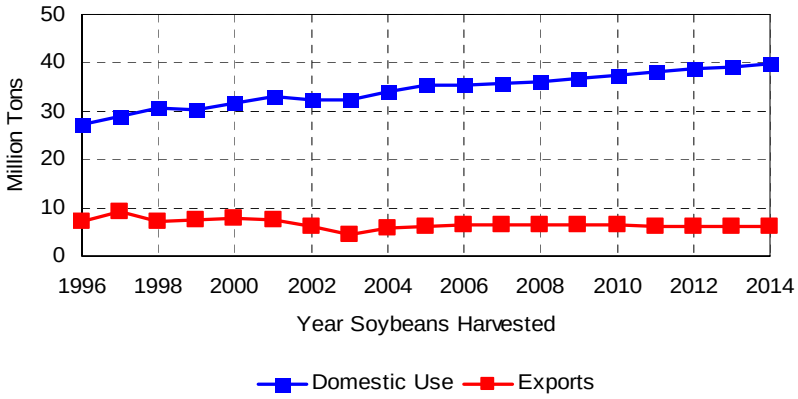
- After a temporary price-induced reduction in 2003/04, steady growth in domestic soybean oil consumption resumes in 2004/05.
- One source of uncertainty is future growth in the use of soybean oil for biodiesel production.
- The United States remains a small net exporter of soybean oil over the next 10 years.

Soybean Oil Utilization



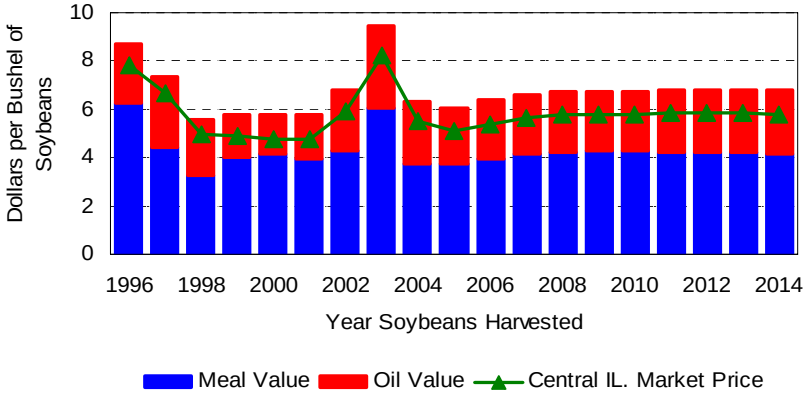
- Increased supplies contribute to lower soybean meal prices and higher domestic use in 2004/05.
- Soybean meal consumption grows with increases in poultry, pork, and other livestock production.
- U.S. soybean meal exports are projected to remain relatively stable.

Soybean Meal Utilization



- Meal generally accounts for most of the product value in a bushel of soybeans, but the relative shares of meal and oil change from year to year.
- Projected crushing margins (the value of meal and oil in a bushel of soybeans compared to the price of soybeans) are relatively stable beginning in 2005/06.

Soybean Prices and Soy Product Values



U.S. Soybean Oil Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
						(Million Pounds)					
Supply	19,941	20,852	21,365	21,527	21,711	22,040	22,296	22,555	22,812	23,093	23,385
Beginning Stocks	1,076	1,274	1,478	1,516	1,528	1,527	1,540	1,546	1,551	1,549	1,538
Production	18,761	19,473	19,783	19,907	20,078	20,408	20,652	20,904	21,156	21,439	21,741
Imports	105	105	105	105	105	105	105	105	105	105	105
Domestic Use	17,328	17,804	18,054	18,281	18,515	18,790	19,053	19,315	19,572	19,822	20,075
Exports	1,339	1,570	1,796	1,719	1,669	1,711	1,698	1,690	1,691	1,733	1,793
Total Use	18,667	19,374	19,850	19,999	20,184	20,500	20,751	21,004	21,263	21,554	21,868
Ending Stocks	1,274	1,478	1,516	1,528	1,527	1,540	1,546	1,551	1,549	1,538	1,517
Prices						(Dollars)					
Decatur/cwt.	22.48	20.86	21.39	21.93	22.22	22.25	22.39	22.60	22.90	23.29	23.86
Decatur/mt	495.52	459.93	471.48	483.56	489.93	490.42	493.61	498.25	504.86	513.46	525.92

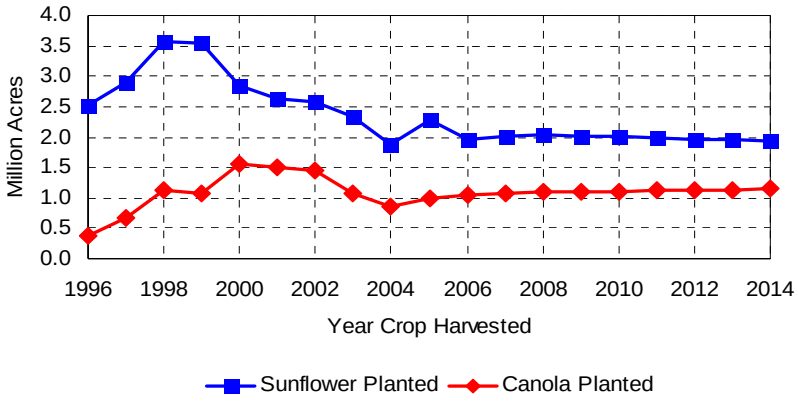
U.S. Soybean Meal Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
						(Thousand Tons)					
Supply	39,962	41,518	42,176	42,430	42,786	43,480	43,995	44,529	45,062	45,662	46,302
Beginning Stocks	211	264	268	261	255	253	253	255	257	259	261
Production	39,586	41,089	41,742	42,004	42,366	43,063	43,577	44,109	44,640	45,238	45,875
Imports	165	165	165	165	165	165	165	165	165	165	165
Domestic Use	34,008	35,247	35,402	35,648	36,098	36,741	37,425	38,081	38,652	39,216	39,856
Exports	5,690	6,002	6,513	6,526	6,435	6,486	6,315	6,192	6,151	6,185	6,182
Total Use	39,698	41,249	41,915	42,175	42,534	43,227	43,740	44,273	44,803	45,401	46,038
Ending Stocks	264	268	261	255	253	253	255	257	259	261	264
Prices, 48% Protein						(Dollars)					
Decatur/ton	159.31	157.99	167.54	175.06	178.60	179.46	179.42	179.29	178.29	177.34	175.32
Decatur/mt	175.60	174.15	184.68	192.97	196.88	197.83	197.77	197.63	196.53	195.49	193.25

U.S. Sunflowers and Canola

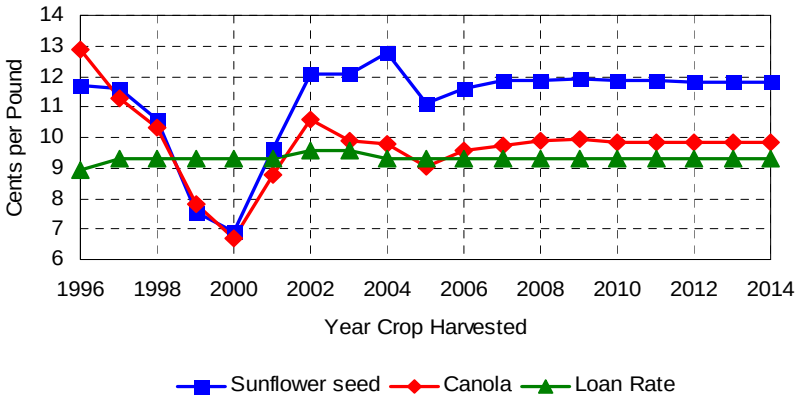
- After several years of decline, unexpectedly strong sunflower seed prices result in higher projected sunflower area in 2005.
- U.S. canola area increased sharply in the late 1990s but has declined since 2000. Only a modest recovery in canola area is projected, as canola prices and returns remain weak relative to competing crops.

Sunflower and Canola Area



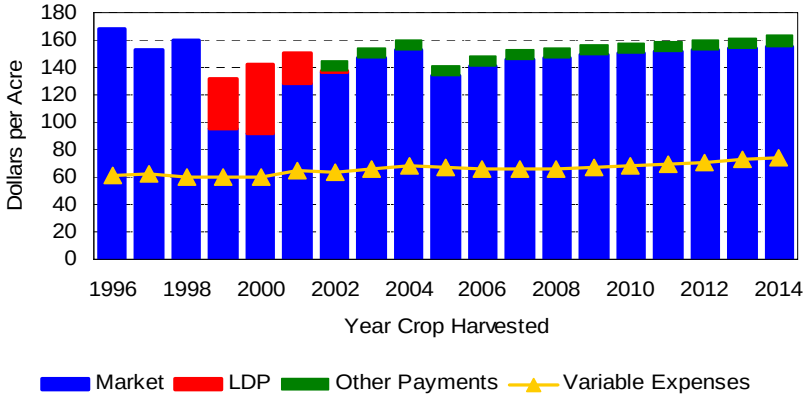
- In spite of falling prices for other oilseeds, sunflower seed prices have remained strong in 2004/05.
- Projected sunflower seed prices continue to be at a premium to prices for other oilseeds.
- Canola prices, in contrast, have been significantly weaker.

Sunflower and Canola Prices



- Sunflower seed market returns per acre increase for the fourth straight year in 2004/05.
- Lower sunflower seed prices result in a modest decline in market returns in 2005/06, but grow with yields in later years.
- Sunflower and canola producers are eligible for direct payments, but not counter-cyclical payments.

Sunflower Returns



U.S. Sunflower Seed Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Planted Area	1.87	2.29	1.95	2.01	2.03	2.02	2.01	1.99	1.97	1.95	1.94
Harvested Area	1.71	2.12	1.81	1.86	1.88	1.87	1.86	1.84	1.82	1.80	1.79
						(Pounds per Acre)					
Yield	1,197	1,201	1,217	1,228	1,240	1,253	1,266	1,279	1,292	1,306	1,319
Supply and Use						(Million Pounds)					
Production	2,048	2,544	2,197	2,283	2,334	2,340	2,350	2,349	2,349	2,352	2,359
Imports	213	223	233	243	253	263	273	283	293	303	313
Domestic Use	2,268	2,400	2,307	2,317	2,351	2,374	2,397	2,417	2,436	2,457	2,481
Exports	147	265	176	208	231	227	221	210	201	194	187
Ending Stocks	206	309	257	258	264	266	272	276	281	285	291
Prices and Payments						(Cents per Pound)					
Farm Price	12.79	11.15	11.60	11.86	11.86	11.91	11.89	11.85	11.83	11.82	11.80
Average LDP Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CCP Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

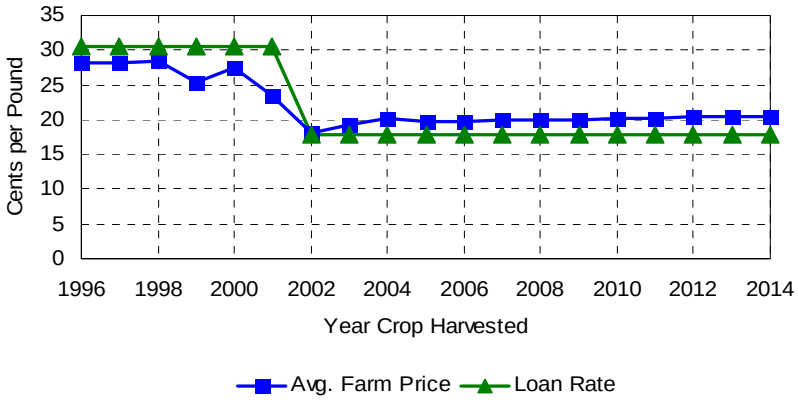
U.S. Canola Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Planted Area	0.87	0.99	1.05	1.07	1.09	1.10	1.11	1.12	1.13	1.14	1.15
Harvested Area	0.83	0.95	1.01	1.02	1.04	1.05	1.06	1.07	1.08	1.09	1.10
						(Pounds per Acre)					
Yield	1,618	1,425	1,443	1,461	1,479	1,497	1,515	1,533	1,551	1,569	1,587
Supply and Use						(Million Pounds)					
Production	1,340	1,348	1,451	1,497	1,538	1,573	1,606	1,638	1,673	1,710	1,748
Imports	772	682	601	595	590	589	587	582	576	568	562
Domestic Use	1,574	1,535	1,554	1,580	1,607	1,632	1,655	1,676	1,697	1,719	1,743
Exports	483	484	505	514	523	530	536	543	550	557	565
Ending Stocks	143	155	148	145	143	144	147	148	150	151	153
Prices and Payments						(Cents per Pound)					
Farm Price	9.79	9.01	9.56	9.73	9.90	9.93	9.85	9.86	9.85	9.85	9.84
Average LDP Rate	0.07	1.11	0.57	0.39	0.22	0.19	0.27	0.27	0.28	0.28	0.29
CCP Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

U.S. Peanuts and Cottonseed

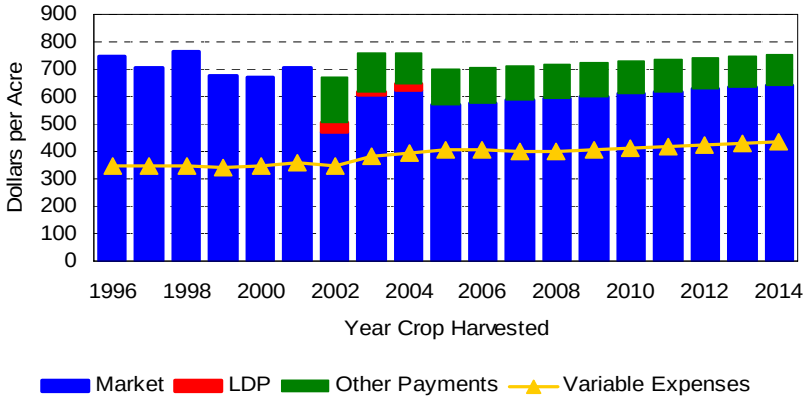
- Since the peanut loan rate was reduced in 2002, peanut prices have generally been slightly above the new loan rate of 17.75 cents per pound ($355 per ton).
- Projected prices continue to average about 20 cents per pound under normal market conditions.
- Actual peanut market prices, like those for other commodities, are likely to be more variable.

Peanut Price and Loan Rate



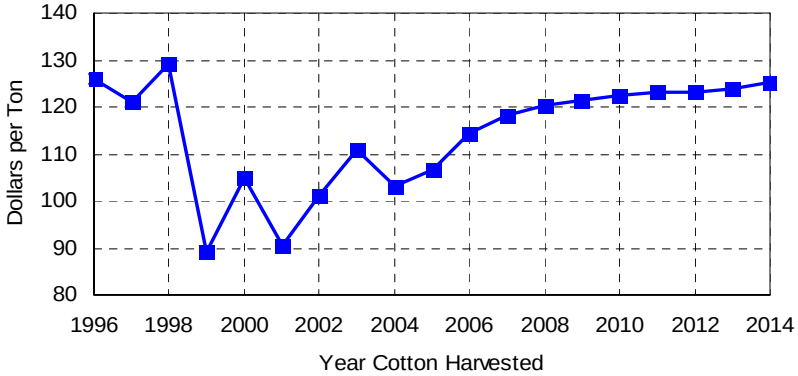
- A second-straight year of good yields supports peanut market returns per acre in 2004/05.
- Market returns drop slightly in 2005/06 because of the assumed return to trend yields.
- Projected peanut prices for 2005/06 and later years are high enough that marketing loan benefits may be unavailable, but counter-cyclical payments are projected.

Peanut Returns



- In spite of a large increase in production and sharply lower prices for many other oilseeds, cottonseed prices only decline slightly in 2004/05.
- Reduced production in 2005/06 and modest increases in meal and oil prices in subsequent years result in small increases in cottonseed prices.

Cottonseed Price



U.S. Peanut Supply and Utilization

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area					(Million Acres)						
Planted Area	1.43	1.46	1.44	1.44	1.45	1.45	1.44	1.44	1.44	1.44	1.43
Harvested Area	1.39	1.41	1.39	1.39	1.39	1.39	1.39	1.39	1.38	1.38	1.38
					(Pounds per Acre)						
Yield	3,057	2,900	2,927	2,954	2,981	3,008	3,034	3,061	3,088	3,115	3,141
Supply and Use					(Million Pounds)						
Production	4,262	4,086	4,062	4,101	4,157	4,185	4,214	4,241	4,271	4,306	4,338
Imports	50	50	50	50	50	50	50	50	50	50	50
Domestic Use	3,633	3,616	3,615	3,630	3,655	3,675	3,697	3,717	3,740	3,764	3,788
Exports	580	522	514	526	544	552	560	566	573	582	590
Ending Stocks	1,220	1,218	1,201	1,196	1,203	1,211	1,218	1,226	1,234	1,244	1,253
Prices and Payments					(Cents per Pound)						
Farm Price	20.30	19.73	19.78	19.95	19.97	20.02	20.11	20.23	20.34	20.40	20.50
Average LDP Rate	0.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CCP Rate	2.65	3.22	3.17	3.00	2.98	2.93	2.84	2.72	2.61	2.55	2.45
Direct Payment	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80

U.S. Cottonseed Supply and Utilization

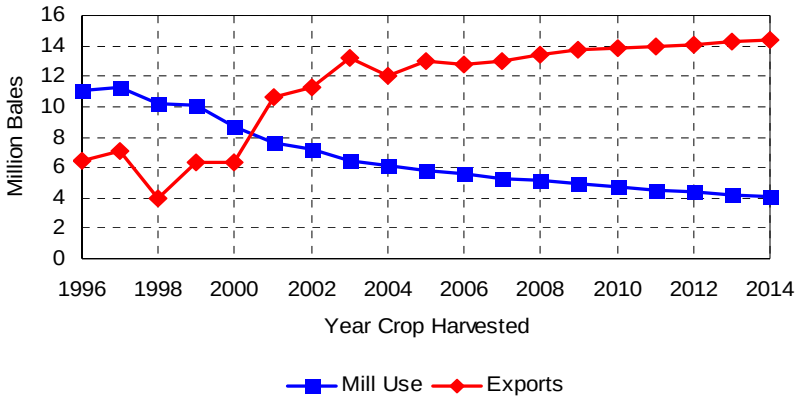
Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Supply and Use					(Thousand Tons)						
Production	8,411	6,860	6,733	6,914	6,982	6,948	6,899	6,902	6,954	6,976	6,953
Imports	75	75	75	75	75	75	75	75	75	75	75
Domestic Use	7,952	6,650	6,428	6,609	6,677	6,643	6,594	6,597	6,649	6,671	6,648
Exports	410	380	380	380	380	380	380	380	380	380	380
Ending Stocks	545	450	450	450	450	450	450	450	450	450	450
					(Dollars per Ton)						
Farm Price	103.19	106.62	114.56	118.31	120.38	121.27	122.32	123.04	123.15	123.92	125.33

U.S. Upland Cotton

- U.S. mill consumption of cotton has declined every year since 1997/98. While there are recent signs that the decline in domestic mill use has slowed, continued reductions are projected.

- After several years of rapid increase, cotton exports are slightly lower in 2004/05 because of increased cotton production around the world.

Upland Cotton Utilization

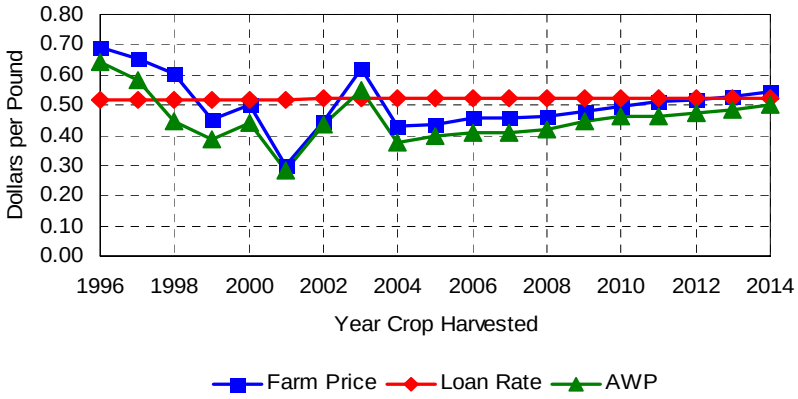


- The large increase in global cotton production in 2004 has resulted in a sharp decline in cotton prices.

- Projected prices increase, but remain below the loan rate for several years.

- The relationship between domestic market prices and the AWP, which determines loan program benefits, is critical to producer returns when prices fall below the loan rate.

Upland Cotton Prices

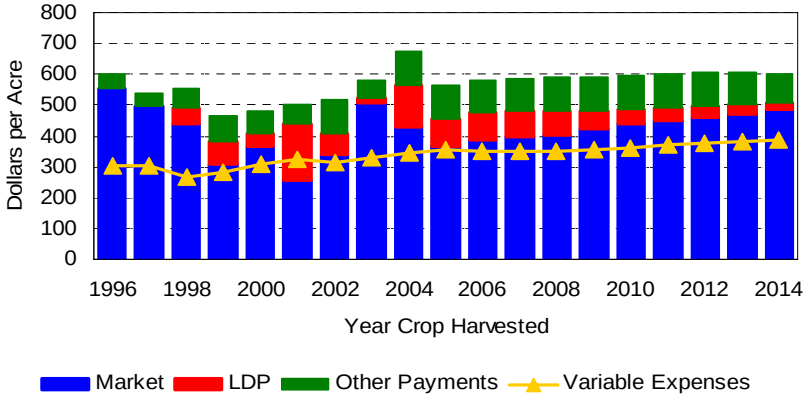


- In spite of record yields, the sharp reduction in cotton prices has reduced cotton market returns per acre in 2004/05.

- More than offsetting lower market returns are large increases in loan program benefits and in counter-cyclical payments.

- Future modest increases in market prices and returns are largely offset by lower government payments.

Upland Cotton Returns



U.S. Upland Cotton Supply and Utilization

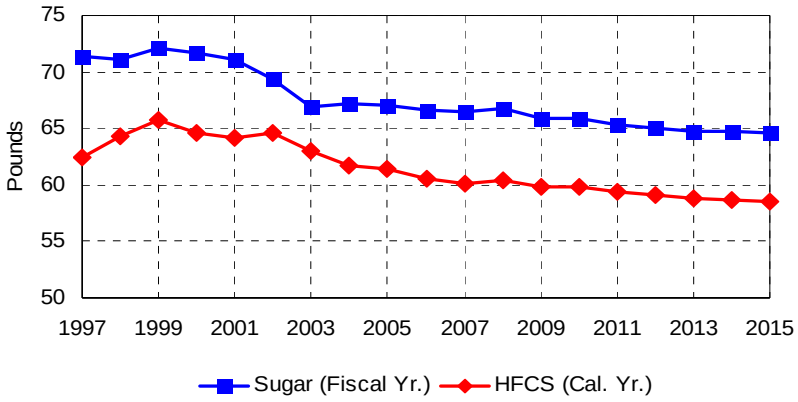
Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Area						(Million Acres)					
Base Area	18.42	18.41	18.40	18.40	18.40	18.40	18.39	18.39	18.39	18.39	18.39
Planted Area	13.41	13.71	13.38	13.61	13.63	13.48	13.30	13.22	13.22	13.17	13.04
Harvested Area	12.81	12.30	11.98	12.19	12.21	12.06	11.89	11.81	11.80	11.75	11.63
Yield						(Pounds per Acre)					
Actual	835	708	714	719	725	730	735	740	746	751	756
Program, Direct	604	604	604	604	604	604	604	604	604	604	604
Program, CCP	638	638	638	638	638	638	638	638	638	638	638
						(Million Bales)					
Supply	25.70	25.66	24.65	24.56	24.67	24.52	24.12	23.82	23.74	23.68	23.47
Beginning Stocks	3.43	7.51	6.84	6.29	6.23	6.18	5.90	5.60	5.39	5.29	5.14
Production	22.27	18.14	17.81	18.26	18.43	18.34	18.21	18.21	18.34	18.39	18.33
Imports	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Domestic Use											
Mill Use	6.13	5.83	5.56	5.31	5.11	4.89	4.68	4.51	4.35	4.23	4.12
Exports	12.06	12.99	12.80	13.01	13.38	13.73	13.84	13.92	14.10	14.31	14.44
Total Use	18.19	18.82	18.36	18.33	18.49	18.62	18.52	18.42	18.45	18.54	18.55
Unaccounted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stocks	7.51	6.84	6.29	6.23	6.18	5.90	5.60	5.39	5.29	5.14	4.92
CCC Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Stocks	7.51	6.84	6.29	6.23	6.18	5.90	5.60	5.39	5.29	5.14	4.92
Prices and Returns						(Dollars)					
Farm Price/lb.	0.430	0.435	0.454	0.457	0.463	0.481	0.498	0.509	0.517	0.529	0.545
Cotlook A Index/lb.	0.520	0.540	0.548	0.550	0.560	0.584	0.600	0.605	0.611	0.625	0.641
Adjusted World Price/lb.	0.373	0.400	0.408	0.410	0.420	0.444	0.460	0.465	0.471	0.485	0.501
Loan Rate/lb.	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520
Average LDP Rate/lb.	0.164	0.127	0.119	0.116	0.106	0.082	0.066	0.061	0.055	0.042	0.025
Target Price/lb.	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724
CCP Rate/lb.	0.137	0.137	0.137	0.137	0.137	0.137	0.137	0.137	0.137	0.129	0.112
Direct Payment/lb.	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067
Gross Market Revenue/a.	426.88	367.69	388.70	395.61	404.20	420.99	436.96	448.68	457.81	470.62	487.52
LDP Revenue/a.	137.16	89.77	84.73	83.78	76.72	60.08	48.86	45.24	41.10	31.22	19.08
Variable Expenses/a.	346.88	354.20	352.00	351.12	351.07	356.26	362.15	368.98	375.81	382.32	389.42
Mkt+LDP Net Returns/a.	217.15	103.26	121.43	128.27	129.84	124.81	123.68	124.95	123.09	119.52	117.18
CCP Revenue/Base a.	74.50	74.50	74.50	74.50	74.50	74.50	74.50	74.50	74.50	69.83	60.69
Direct Payment/Base a.	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23

U.S. Sugar

- Early data indicate that the post-1999 decline in par capita sugar consumption may have halted or at least slowed.

- Modest future reductions are projected in per-capita consumption of both sugar and high-fructose corn syrup (HFCS).

Sugar and HFCS Consumption per Capita

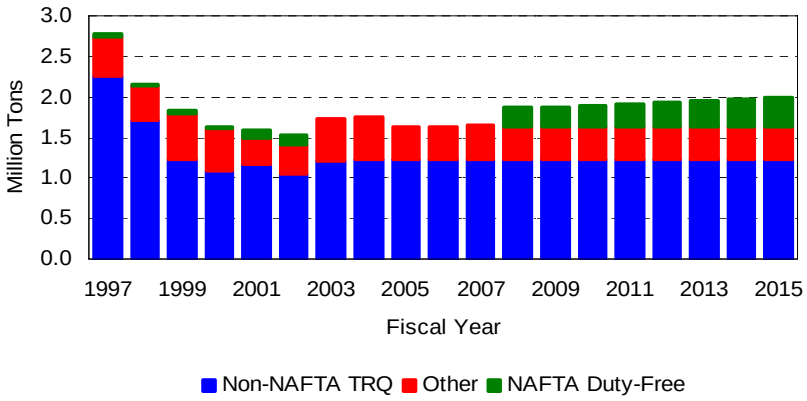


- Given the supply-demand balance in Mexico and the ongoing dispute over HFCS trade, no significant imports of Mexican sugar are projected through fiscal 2007.

- Imports from Mexico are projected to increase once remaining restrictions are removed in 2008 under provisions of the North American Free Trade Agreement.

- This current-policy baseline does not incorporate provisions of trade agreements that have not received Congressional approval.

Sugar Imports

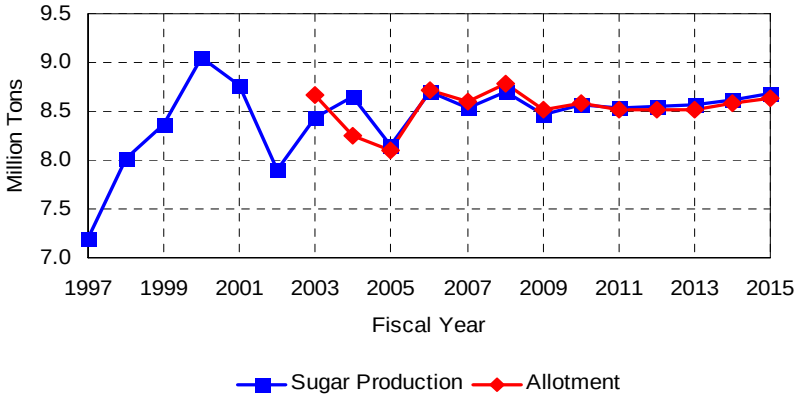


- Weather-related shortfalls in sugarcane production have reduced production of sugar and projected levels of carry-out stocks in fiscal 2005.

- If USDA applies the same formula to determine fiscal 2006 allotments as it used to determine fiscal 2005 allotments, the result could be larger allotments and production.

- Allotments and production both average about 8.5 million short tons over the baseline.

Sugar Production and Allotments



U.S. Sugar Crop Production

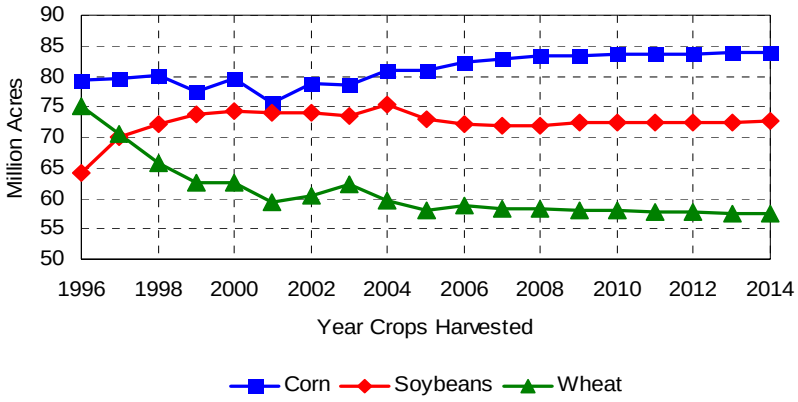
Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Sugar Beets											
Harv. Area (1,000 a.)	1,307	1,353	1,313	1,325	1,269	1,273	1,251	1,239	1,227	1,220	1,214
Yield (tons/a.)	22.91	22.02	22.17	22.31	22.45	22.60	22.74	22.88	23.02	23.16	23.30
Prod. (1,000 tons)	29,932	29,788	29,098	29,572	28,492	28,759	28,435	28,352	28,251	28,265	28,289
Sugarcane											
Harv. Area (1,000 a.)	897	933	903	909	880	877	866	858	851	848	845
Yield (tons/a.)	30.89	34.97	35.21	35.49	35.77	36.04	36.33	36.61	36.89	37.16	37.44
Prod. (1,000 tons)	27,713	32,636	31,810	32,277	31,458	31,591	31,452	31,415	31,401	31,513	31,626

U.S. Sugar Supply and Utilization

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
					(1000 Short Tons, Raw Value)						
Allotments	8,100	8,719	8,605	8,784	8,511	8,582	8,518	8,520	8,524	8,577	8,629
Beet Sugar	4,402	4,739	4,677	4,774	4,626	4,665	4,629	4,631	4,633	4,662	4,690
Cane Sugar	3,698	3,980	3,928	4,010	3,885	3,918	3,888	3,889	3,891	3,915	3,939
Supply	11,679	11,920	11,946	12,296	12,297	12,450	12,500	12,588	12,671	12,784	12,893
Beginning Stocks	1,897	1,574	1,769	1,727	1,958	1,992	2,056	2,106	2,150	2,191	2,225
Production	8,143	8,707	8,534	8,705	8,469	8,565	8,532	8,551	8,569	8,622	8,677
Beet Sugar	4,705	4,718	4,638	4,744	4,600	4,672	4,649	4,664	4,676	4,707	4,740
Cane Sugar	3,438	3,989	3,896	3,961	3,869	3,893	3,884	3,887	3,893	3,915	3,937
Imports	1,639	1,639	1,643	1,864	1,870	1,893	1,911	1,931	1,951	1,971	1,991
Tariff-Rate Quota	1,229	1,229	1,229	1,460	1,461	1,484	1,502	1,522	1,542	1,562	1,582
Duty-Free NAFTA	0	0	0	231	232	255	273	293	313	333	353
Other TRQ	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229
Other Program	350	350	350	350	350	350	350	350	350	350	350
High-Tier and Other	60	60	64	54	60	59	59	59	59	59	59
Utilization	10,105	10,151	10,219	10,338	10,305	10,394	10,394	10,438	10,479	10,559	10,632
Disappearance	9,905	9,948	10,015	10,131	10,095	10,184	10,183	10,227	10,268	10,347	10,419
Exports	200	204	204	208	210	210	210	211	212	212	213
Statistical Discrepancy	0	0	0	0	0	0	0	0	0	0	0
Ending Stocks	1,574	1,769	1,727	1,958	1,992	2,056	2,106	2,150	2,191	2,225	2,261
Prices					(Cents per Pound)						
N.Y. Spot Raw Sugar	21.00	20.53	21.22	19.64	20.55	20.26	20.39	20.43	20.45	20.49	20.51
Refined Beet Sugar	24.30	23.59	24.49	22.24	23.43	22.97	23.09	23.09	23.06	23.05	23.03
Cane Loan Rate	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Beet Loan Rate	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90

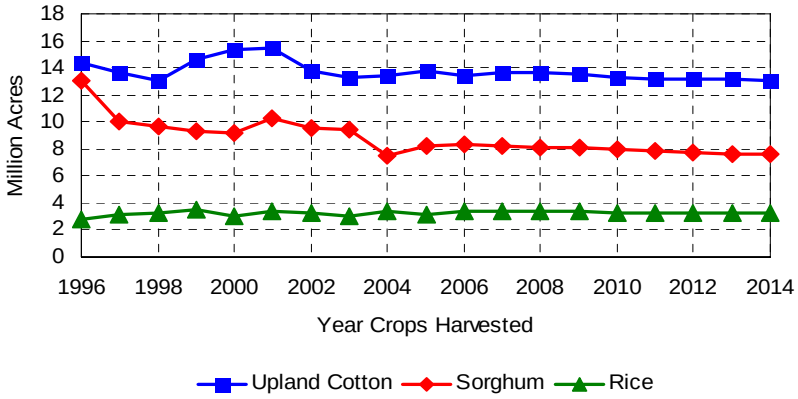
U.S. Land Use

Corn, Soybean, and Wheat Planted Area



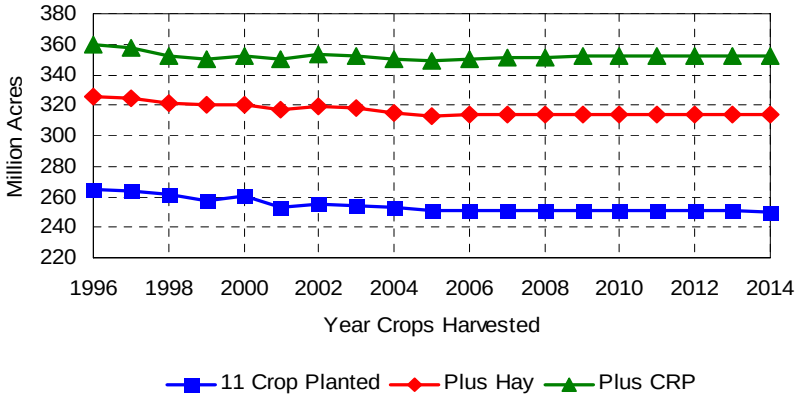
- Sharply lower prices and concerns about soybean rust reduce projected 2005 soybean acreage to 72.9 million acres.
- Little net change is projected in 2005 U.S. corn acreage, as less competition from soybeans in some regions is offset by lower projected corn acreage in the Plains states.
- Winter wheat acreage is reported down in 2005, and projected total wheat area remains below 59 million acres.

Upland Cotton, Sorghum, and Rice Planted Area



- Upland cotton area planted is projected to increase in 2005 in response to good 2004/05 returns and reduced competition from soybeans.
- Sorghum area declined sharply in 2004 and may only recover a fraction of the lost area in 2005.
- Lower rice returns slightly reduce projected 2005 rice acreage.

Land Use for Major Crops and CRP



- The total area planted to 11 major crops dipped slightly in 2003 and 2004, and a further small decline is projected for 2005.
- The projected decline in total 2005 planted area can be explained by increased area devoted to hay production and the Conservation Reserve Program (CRP) and a reduction in wheat/soybean double-cropping.

U.S. Land Use for Major Crops and the Conservation Reserve

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Planted Area						(Million Acres)					
Corn	80.93	80.96	82.15	82.80	83.35	83.24	83.48	83.53	83.71	83.81	83.81
Soybeans	75.21	72.88	72.19	71.88	71.77	72.37	72.35	72.39	72.43	72.48	72.60
Wheat	59.67	58.08	58.68	58.29	58.15	57.96	57.87	57.76	57.60	57.53	57.44
Upland Cotton	13.41	13.71	13.38	13.61	13.63	13.48	13.30	13.22	13.22	13.17	13.04
Sorghum	7.49	8.15	8.32	8.24	8.14	8.04	7.92	7.80	7.70	7.65	7.62
Barley	4.53	4.69	4.40	4.36	4.34	4.27	4.22	4.16	4.12	4.08	4.04
Oats	4.09	4.18	4.20	4.15	4.12	4.08	4.05	4.02	3.99	3.96	3.93
Rice	3.35	3.19	3.36	3.37	3.35	3.32	3.30	3.28	3.25	3.23	3.22
Sunflowers	1.87	2.29	1.95	2.01	2.03	2.02	2.01	1.99	1.97	1.95	1.94
Peanuts	1.43	1.46	1.44	1.44	1.45	1.45	1.44	1.44	1.44	1.44	1.43
Canola	0.87	0.99	1.05	1.07	1.09	1.10	1.11	1.12	1.13	1.14	1.15
11 Crop Planted Area	252.83	250.60	251.13	251.23	251.43	251.33	251.05	250.71	250.55	250.42	250.23
Hay Harvested Area	61.92	62.73	62.75	62.82	62.94	63.01	63.06	63.08	63.11	63.13	63.15
11 Crops + Hay	314.75	313.33	313.88	314.05	314.37	314.34	314.11	313.79	313.66	313.56	313.38
Conservation Reserve	34.89	35.75	36.50	37.25	37.25	37.50	38.00	38.50	38.50	38.50	38.50
11 Crops + Hay + CRP	349.64	349.08	350.38	351.30	351.62	351.84	352.12	352.30	352.16	352.06	351.88

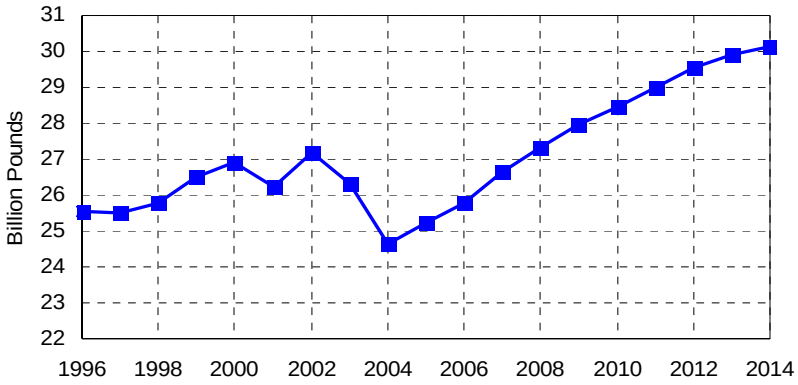
U.S. Beef

▪Beef production fell sharply in 2004, despite slaughter weights nearly 25 pounds higher during the second half of the year relative to 2003.

▪Production will be slow to recover over the next couple of years, as producers retain animals to rebuild the cow herd.

▪Assumptions regarding the flow of Canadian cattle into the U.S. play a large role in determining beef production figures through 2006.

Beef Production

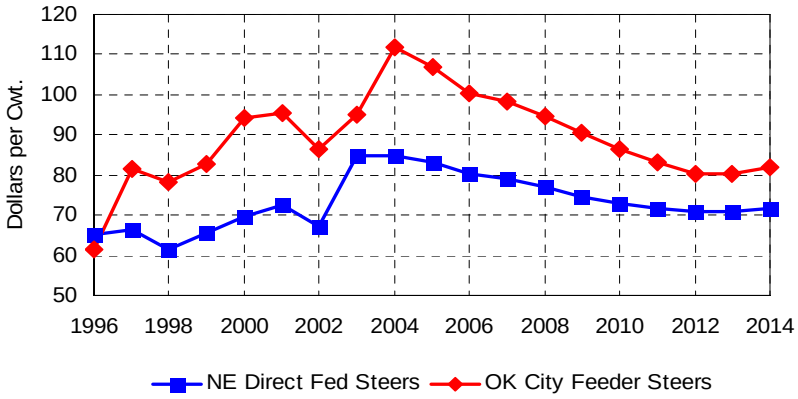


▪Cattle prices exhibited amazing strength in 2004, as strong U.S. beef demand more than offset a more than 2 billion pound decline in beef exports.

▪Prices are expected to have reached their cyclical top in 2004, though tight beef supplies for the next few years will support prices at relatively high levels.

▪The cattle price outlook is heavily dependent on the timing and completeness of normal trade resumption for both beef exports and cattle imports.

Cattle Prices

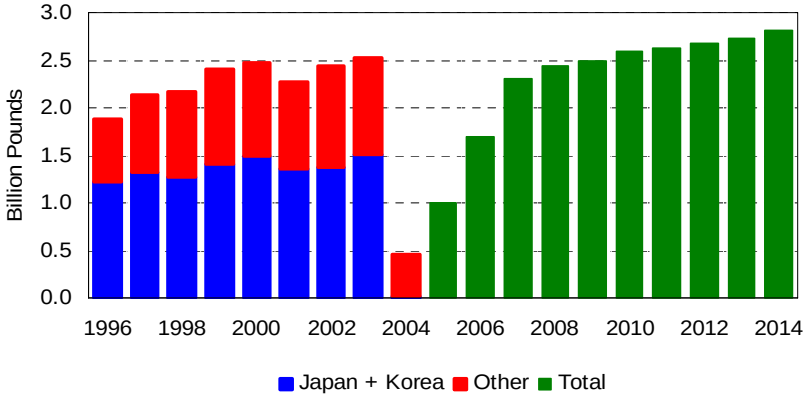


▪Though many countries resumed imports of U.S. beef during 2004, the two largest historical markets, Japan and Korea, remained closed.

▪The projection assumes that trade with these two countries will resume near the end of 2005, but that it will be 2007 before normal annual trade flows occur.

▪Despite export market recovery, the U.S. remains a net importer of beef throughout the projection.

Beef Exports



U.S. Cattle Sector

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Million Head)					
Beef Cows (Jan. 1)	32.9	32.9	33.2	34.0	34.4	35.1	35.6	36.0	36.1	36.1	35.8
Dairy Cows (Jan. 1)	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.8	8.8	8.8
Cattle and Calves (Jan. 1)	94.9	94.9	96.2	97.9	99.4	100.8	101.9	102.9	103.6	103.9	103.7
Calf Crop	37.7	37.9	38.5	39.0	39.5	40.0	40.3	40.5	40.5	40.3	40.0
Calf Death Loss	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Calf Slaughter	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Beef Cow Slaughter	2.8	2.8	3.1	3.4	3.6	3.9	4.2	4.4	4.5	4.6	4.5
Dairy Cow Slaughter	2.4	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.6
Bull Slaughter	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Steer and Heifer Slaughter	27.2	27.2	27.5	28.1	28.5	28.8	29.0	29.2	29.6	29.9	30.0
Total Slaughter	33.8	34.2	34.7	35.7	36.3	36.9	37.3	37.7	38.2	38.5	38.6
Cattle Imports	1.4	2.2	2.7	3.1	3.0	2.9	2.9	2.9	2.9	3.0	3.0
Cattle Exports	0.0	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Cattle Death Loss	2.3	2.3	2.3	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5
Residual	-0.6	0.1	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Cattle and Calves (Dec. 31)	94.9	96.2	97.9	99.4	100.8	101.9	102.9	103.6	103.9	103.7	103.2
Cattle on Feed (Jan. 1)	13.8	13.8	13.3	13.4	13.7	14.1	14.2	14.2	14.2	14.3	14.3
Supply						(Million Pounds)					
Beginning Stocks	518	615	634	644	664	680	700	715	733	751	762
Imports	3,562	3,595	3,636	3,574	3,466	3,359	3,254	3,143	3,064	3,006	3,056
Production	24,644	25,224	25,766	26,655	27,308	27,970	28,461	28,996	29,545	29,928	30,124
Total	28,724	29,434	30,036	30,872	31,437	32,009	32,415	32,854	33,342	33,685	33,941
Disappearance											
Domestic Use	27,675	27,806	27,693	27,907	28,321	28,824	29,103	29,497	29,915	30,189	30,357
Exports	434	994	1,699	2,301	2,436	2,484	2,596	2,625	2,676	2,734	2,819
Total	28,109	28,800	29,392	30,208	30,757	31,309	31,699	32,121	32,591	32,923	33,175
Ending Stocks	615	634	644	664	680	700	715	733	751	762	766
Per Capita Consumption						(Pounds)					
Carcass Weight	94.4	94.0	92.8	92.7	93.3	94.1	94.2	94.6	95.2	95.2	95.0
Retail Weight	66.1	65.8	65.0	64.9	65.3	65.9	65.9	66.3	66.6	66.7	66.5
Change	1.6%	-0.4%	-1.3%	-0.1%	0.6%	0.9%	0.1%	0.5%	0.6%	0.1%	-0.3%
Prices											
1100 - 1300 #, Nebraska						(Dollars Per Hundredweight)					
Direct Steers	84.75	83.04	80.43	79.03	76.84	74.61	73.12	71.53	70.71	70.79	71.78
Change	0.1%	-2.0%	-3.1%	-1.7%	-2.8%	-2.9%	-2.0%	-2.2%	-1.2%	0.1%	1.4%
600 - 650 #, Oklahoma City											
Feeder Steers	111.79	107.05	100.44	98.40	94.82	90.59	86.61	83.06	80.18	80.43	81.98
Change	17.4%	-4.2%	-6.2%	-2.0%	-3.6%	-4.5%	-4.4%	-4.1%	-3.5%	0.3%	1.9%
Utility Cows, Sioux Falls	52.62	50.67	48.92	47.97	46.39	44.21	42.80	41.13	40.07	40.07	41.30
Change	12.9%	-3.7%	-3.4%	-2.0%	-3.3%	-4.7%	-3.2%	-3.9%	-2.6%	0.0%	3.1%
						(Dollars Per Pound)					
Beef Retail	4.06	4.10	4.13	4.14	4.14	4.12	4.12	4.11	4.10	4.13	4.21
Change	8.5%	0.9%	0.8%	0.3%	-0.1%	-0.4%	0.0%	-0.3%	-0.2%	0.9%	1.7%
Net Returns						(Dollars Per Cow)					
Cow - Calf	86.40	61.64	31.64	20.05	1.55	-19.63	-39.81	-57.90	-74.04	-77.95	-75.66

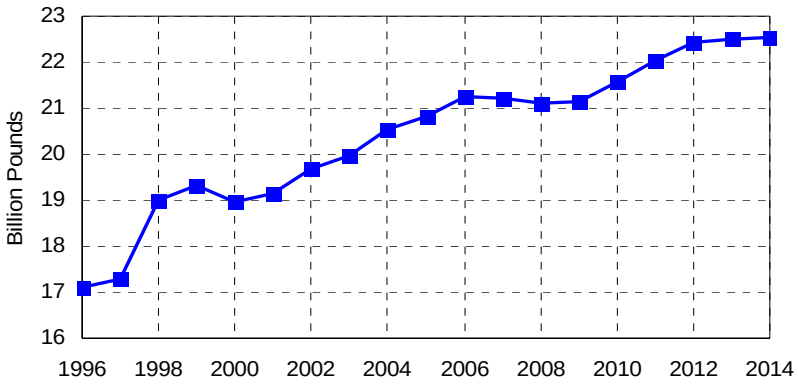
U.S. Pork

▪Production continues to increase amid declining sow numbers, as productivity gains and increasing imports of Canadian hogs overshadow fewer sows.

▪Pork producers surprised many by reporting a slight decline to the sow herd in the December 2004 Hogs and Pigs Report, despite strong 2004 returns.

▪Pork production growth will depend largely upon producers' ability to continue improving efficiency and a steady supply of Canadian hogs.

Pork Production

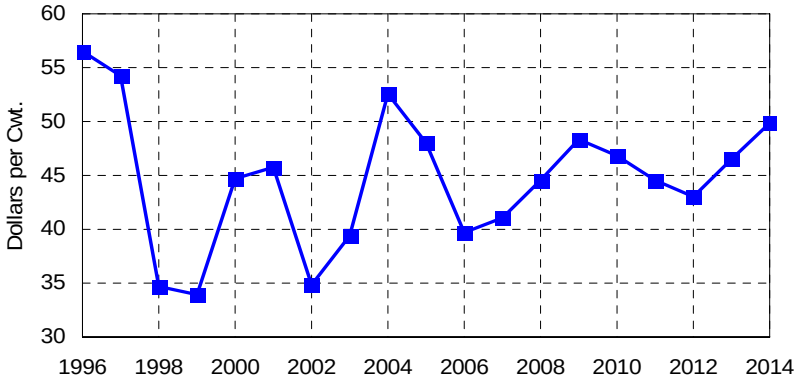


▪Barrow and gilt prices topped $50 in 2004, a level few believed possible following the price crash of 1998.

▪Strong pork exports, good domestic demand, and tighter packer margins aided the price increase.

▪As feed costs remain relatively low and packer margins return to more historical levels, prices will fall over the next couple of years.

Barrow and Gilt Price, Nat'l Base, 51-52% Lean

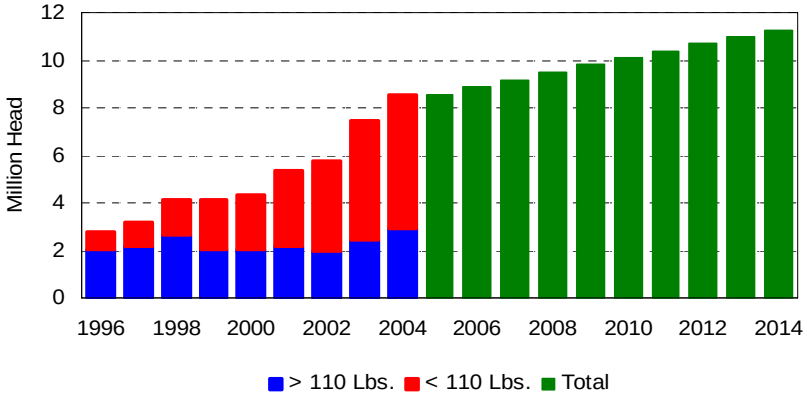


▪Lighter pigs account for an increasing share of hog imports from Canada.

▪A duty has been levied on Canadian hog imports since October 15, 2004, following a preliminary ruling by the Department of Commerce that hogs were dumped into the U.S. in 2003. A final ruling is expected from the International Trade Commission in April 2005.

▪The duty should not significantly affect import volumes, but could increase the ratio of feeder pigs headed south.

Hog Imports from Canada



U.S. Swine Sector

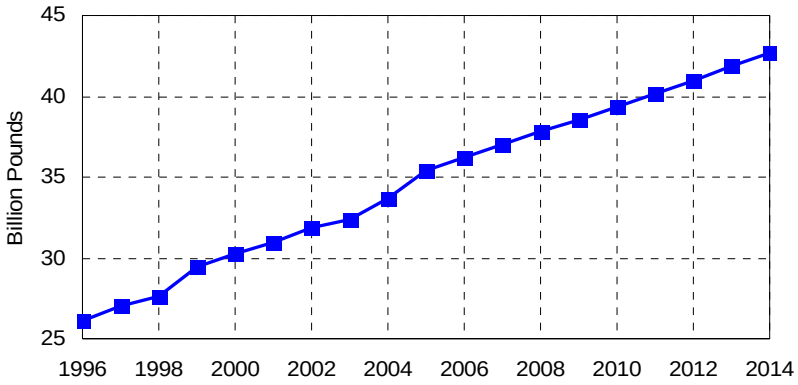
Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Million Head)					
Breeding Herd (Dec. 1*)	6.01	5.97	5.98	5.85	5.67	5.60	5.63	5.67	5.66	5.57	5.48
Gilts Added	3.36	3.33	3.32	3.19	3.16	3.18	3.24	3.25	3.19	3.10	3.06
Sow Slaughter	3.34	3.26	3.39	3.31	3.17	3.09	3.14	3.20	3.22	3.14	3.05
Sows Farrowed	11.45	11.54	11.58	11.35	11.15	11.15	11.29	11.39	11.38	11.27	11.17
Pigs per Litter (Head)	8.94	8.98	9.02	9.06	9.10	9.14	9.18	9.22	9.26	9.30	9.34
Market Hogs (Dec. 1*)	54.4	54.5	55.1	55.4	54.9	54.4	54.9	55.8	56.5	56.5	56.3
Pig Crop	102.3	103.6	104.4	102.8	101.4	101.9	103.6	105.0	105.4	104.8	104.3
Barrow and Gilt Slaughter	100.0	100.8	102.3	101.8	100.9	100.7	102.2	103.9	105.3	105.2	105.0
Hog Imports	8.6	8.6	8.9	9.2	9.5	9.8	10.1	10.4	10.7	11.0	11.2
Hog Exports	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Death Loss/Residual	10.6	10.5	10.5	10.4	10.3	10.3	10.4	10.5	10.6	10.5	10.5
Market Hogs (Nov.30)	54.5	55.1	55.4	54.9	54.4	54.9	55.8	56.5	56.5	56.3	56.2
Supply						(Million Pounds)					
Beginning Stocks	532	510	521	531	525	515	512	526	542	555	555
Imports	1,111	1,207	1,159	1,208	1,263	1,347	1,359	1,360	1,387	1,442	1,505
Production	20,544	20,829	21,241	21,226	21,117	21,150	21,578	22,049	22,427	22,490	22,539
Total	22,187	22,546	22,920	22,964	22,904	23,012	23,448	23,935	24,357	24,487	24,599
Disappearance											
Domestic Use	19,542	19,852	20,110	20,119	20,042	20,113	20,403	20,736	21,034	21,149	21,208
Exports	2,135	2,174	2,280	2,320	2,347	2,387	2,519	2,657	2,768	2,784	2,838
Total	21,677	22,026	22,390	22,440	22,390	22,500	22,922	23,393	23,801	23,932	24,046
Ending Stocks	510	521	531	525	515	512	526	542	555	555	553
Per Capita Consumption						(Pounds)					
Carcass Weight	66.7	67.1	67.4	66.8	66.0	65.7	66.0	66.5	66.9	66.7	66.3
Retail Weight	51.8	52.1	52.3	51.9	51.2	50.9	51.2	51.6	51.9	51.8	51.5
Change	-0.4%	0.7%	0.4%	-0.8%	-1.2%	-0.5%	0.6%	0.8%	0.6%	-0.3%	-0.6%
Prices											
Natl. Base 51-52% lean eq.						(Dollars Per Hundredweight)					
Barrows & Gilts	52.51	47.99	39.66	41.11	44.58	48.41	46.79	44.62	43.07	46.48	49.87
Change	33.1%	-8.6%	-17.4%	3.7%	8.4%	8.6%	-3.3%	-4.6%	-3.5%	7.9%	7.3%
IA-S. Minn. #1-2, 300-400 #											
Sows	43.68	40.19	33.66	35.31	38.23	40.80	38.33	35.49	33.85	37.25	39.57
Change	54.7%	-8.0%	-16.3%	4.9%	8.3%	6.7%	-6.0%	-7.4%	-4.6%	10.0%	6.2%
						(Dollars Per Pound)					
Pork Retail	2.79	2.83	2.82	2.90	3.02	3.11	3.11	3.11	3.11	3.19	3.29
Change	5.1%	1.4%	-0.4%	2.8%	4.1%	3.1%	0.0%	-0.2%	0.0%	2.5%	3.2%
Net Returns						(Dollars Per Hundredweight)					
Farrow - Finish	17.00	17.00	7.27	7.64	10.24	13.32	10.69	7.88	5.74	8.79	11.69

* Preceding Year

U.S. Poultry

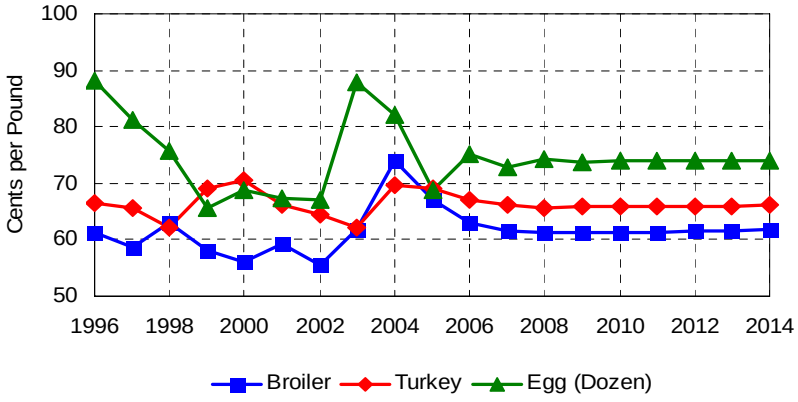
- After posting extremely weak growth in 2003, broiler production responded with a 4 percent increase in 2004.
- Record high returns and relatively cheap feedstuffs are expected to result in a 5 percent increase in production in 2005.
- Long-term annual average broiler production growth is expected to be near 2 percent.

Broiler Production



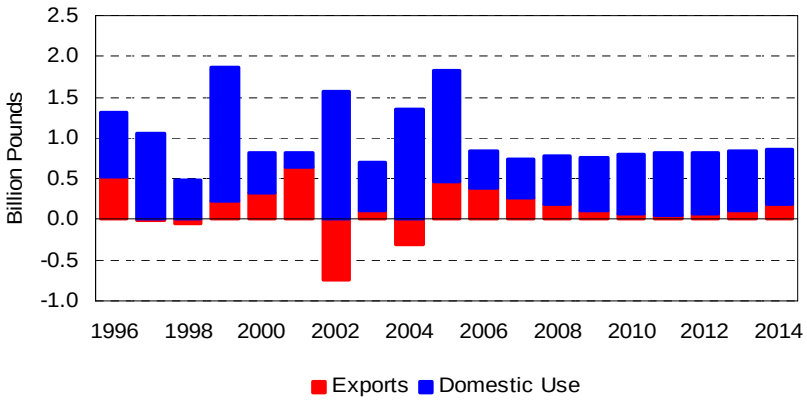
- Poultry products enjoyed strong annual wholesale prices in 2004, led by broiler prices nearly 20 percent above 2003.
- Price strength for broilers and turkeys has shown signs of slowing in early 2005, though returns remain favorable when accounting for feed prices.
- Egg prices will post a large decline in 2005, as monthly prices began dropping steadily in the spring of 2004 and have shown little signs of recovery.

Wholesale Poultry Prices



- Broiler exports declined for the second time in three years in 2004, as avian influenza cases in the U.S. limited access to some markets.
- Exports are expected to post some gains in the short term, as prices retreat and other proteins remain relatively expensive around the world.
- Longer term, U.S. consumers are expected to continue to eat an additional pound of chicken per person per year.

Broiler Meat Consumption Change



U.S. Poultry Supply and Use

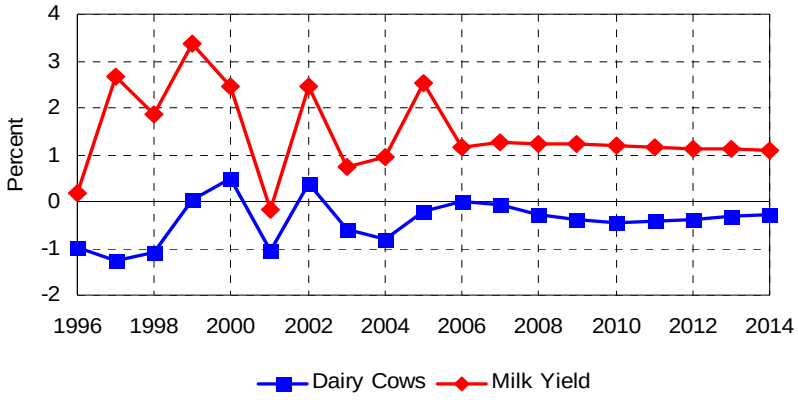
Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Broiler						(Million Pounds)					
Production	33,718	35,409	36,256	37,000	37,782	38,547	39,344	40,168	40,996	41,835	42,695
Domestic Use	28,997	30,369	30,825	31,310	31,898	32,561	33,290	34,062	34,820	35,550	36,224
Exports	4,607	5,064	5,445	5,710	5,900	6,000	6,068	6,119	6,190	6,299	6,484
Ending Stocks	750	754	768	777	789	802	815	830	844	858	873
Turkey											
Production	5,358	5,473	5,605	5,689	5,765	5,832	5,897	5,962	6,024	6,085	6,149
Domestic Use	5,027	4,975	5,070	5,136	5,204	5,262	5,321	5,380	5,436	5,487	5,534
Exports	440	495	522	543	561	570	577	582	588	599	616
Ending Stocks	250	258	274	289	293	297	301	305	309	312	316
Eggs						(Million Dozens)					
Production	7,423	7,547	7,601	7,700	7,783	7,872	7,957	8,045	8,134	8,225	8,318
Domestic Use	6,284	6,350	6,393	6,481	6,553	6,632	6,708	6,785	6,864	6,945	7,028
Hatching Egg	984	1,033	1,042	1,052	1,060	1,068	1,076	1,084	1,093	1,101	1,109
Exports	169	180	182	184	185	187	189	191	193	195	197
Ending Stocks	14	14	14	14	14	14	14	14	14	14	14
Prices						(Cents Per Pound)					
12 City Wholesale Broiler	74.13	67.03	63.15	61.67	61.30	61.16	61.29	61.34	61.45	61.57	61.86
Bnls. Breast Whlsle., NE	181.05	155.12	146.67	143.50	141.72	140.65	140.62	140.66	141.22	142.14	143.51
Whole Leg Wholesale, NE	43.43	37.97	36.81	36.53	36.31	35.98	35.79	35.57	35.55	35.73	36.23
Broiler Retail	164.83	165.42	163.39	163.22	163.26	163.91	165.19	166.50	168.20	170.18	172.57
East. Region Whlsle Turkey	69.70	68.95	66.92	66.22	65.71	65.76	65.88	65.88	65.94	65.97	66.23
Turkey Retail	109.10	110.34	109.76	109.49	109.56	110.21	110.94	111.61	112.48	113.39	114.63
						(Cents Per Dozen)					
NY Grade A Lg Egg	82.20	68.75	75.06	72.81	74.16	73.73	73.90	73.96	74.01	74.05	74.09
Shell Egg Retail	129.80	115.69	119.93	118.84	119.91	120.16	120.84	121.62	122.45	123.19	124.02
Per Capita Consumption						(Pounds)					
Broiler	99.0	102.7	103.3	104.0	105.0	106.3	107.7	109.3	110.8	112.1	113.3
Turkey	17.2	16.8	17.0	17.1	17.1	17.2	17.2	17.3	17.3	17.3	17.3
						(Eggs)					
Eggs	257.3	257.7	257.1	258.3	258.9	259.8	260.5	261.3	262.1	262.9	263.8
Net Returns						(Cents Per Pound)					
Broiler	24.17	20.53	16.00	14.00	13.28	12.94	12.91	12.84	12.84	12.89	13.15
Turkey	7.10	9.45	6.96	5.82	5.01	4.91	4.91	4.85	4.83	4.84	5.10
						(Cents Per Dozen)					
Eggs	14.70	4.18	9.96	7.31	8.41	7.86	7.94	7.93	7.92	7.94	8.00

U.S. Dairy

▪Milk yields are expected to grow by more than 2 percent in 2005 as Posilac restrictions are reduced and feed costs move lower.

▪The dairy cow herd is expected to decline over the baseline at a slower rate than experienced historically as the growth in milk yields slows.

Change in Milk Yields and Dairy Cows

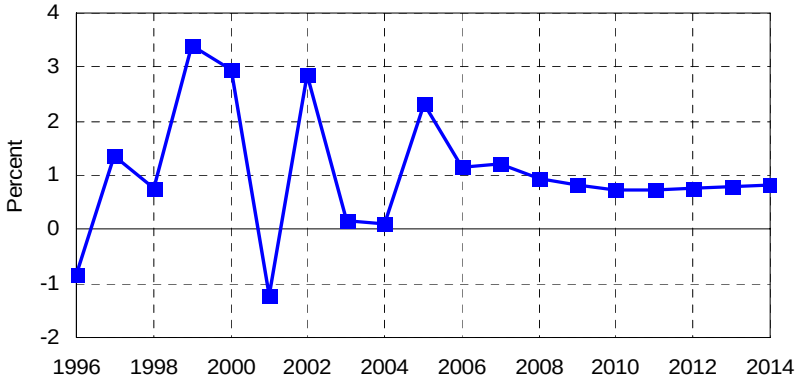


▪Milk production growth has been virtually non-existent for the past two years, with production growing only 420 million pounds.

▪Milk production is expected to increase by nearly 4 billion pounds in 2005.

▪A milk production growth rate near 1 percent is expected for the remainder of the baseline, roughly offsetting population growth.

Change in Milk Production

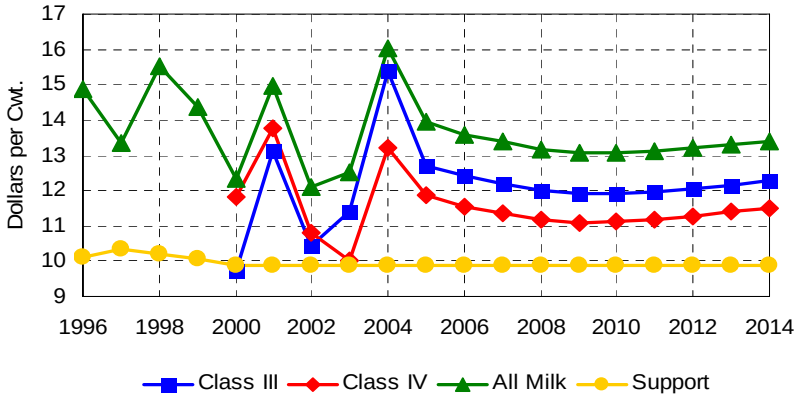


▪Milk prices are expected to moderate from the historical highs experienced in 2004.

▪Current projections suggest milk prices will be lower in 2005, but still well above the record lows seen in 2002 and 2003.

▪Volatility in milk prices will remain in the coming years as dairy markets remain some of the most inelastic markets in agriculture.

Milk Prices



U.S. Dairy Sector

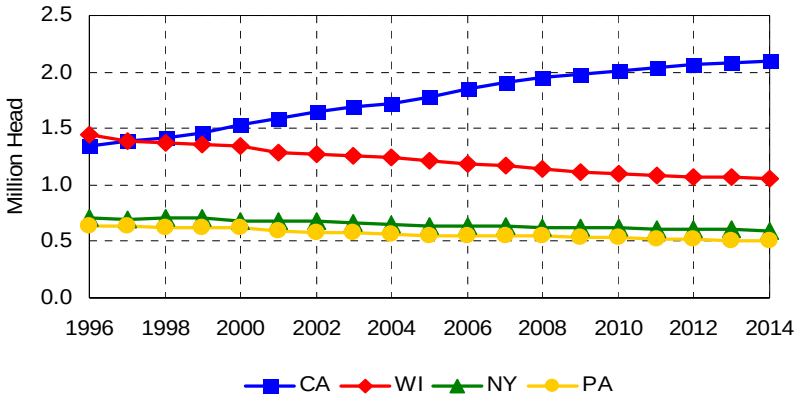
Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S. Milk Supply											
Dairy Cows (Thou. Head)	9,009	8,991	8,991	8,985	8,961	8,926	8,885	8,848	8,814	8,785	8,762
Milk Yield (Lbs.)	18,923	19,400	19,626	19,873	20,115	20,359	20,602	20,840	21,076	21,310	21,540
Milk Production (Bil. Lbs.)	170.5	174.4	176.5	178.6	180.2	181.7	183.1	184.4	185.8	187.2	188.7
Min. FMMO Class Prices					(Dollars per Cwt.)						
Class I Mover	14.98	12.72	12.41	12.21	12.02	11.93	11.93	11.98	12.07	12.16	12.27
Class II	13.86	12.53	12.20	12.03	11.84	11.76	11.78	11.85	11.94	12.04	12.14
Class III	15.39	12.72	12.41	12.21	12.02	11.93	11.93	11.98	12.07	12.16	12.27
Class IV	13.20	11.87	11.54	11.37	11.17	11.10	11.12	11.18	11.28	11.38	11.48
All Milk Price	16.04	13.93	13.60	13.39	13.18	13.09	13.08	13.13	13.20	13.29	13.39
MILC Payment	0.12	0.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wholesale Prices					(Dollars per Pound)						
Butter, CME	1.82	1.51	1.45	1.41	1.36	1.35	1.35	1.37	1.39	1.38	1.40
Cheese, Am., 40#, CME	1.65	1.42	1.39	1.37	1.35	1.35	1.35	1.35	1.36	1.37	1.38
Nonfat Dry Milk, AA	0.86	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.85	0.85
Evaporated	1.42	1.39	1.38	1.38	1.38	1.38	1.39	1.40	1.41	1.43	1.44
Dairy Product Production					(Million Pounds)						
American Cheese	3,752	3,782	3,847	3,901	3,960	4,016	4,070	4,125	4,181	4,233	4,294
Other Cheese	5,096	5,323	5,452	5,571	5,694	5,814	5,929	6,044	6,160	6,272	6,390
Butter	1,229	1,319	1,341	1,376	1,386	1,391	1,392	1,392	1,393	1,399	1,401
Nonfat Dry Milk	1,437	1,534	1,565	1,618	1,628	1,622	1,609	1,591	1,576	1,578	1,567

State-Level Dairy

▪Dairy cows are projected to continue to increase in California over the baseline period. The rate of growth is slower than seen during the 1990s.

▪State-level dairy cow inventories do not exhibit trends different than those experienced during the 1990s, which suggests current government dairy programs have not had a large effect on these underlying trends.

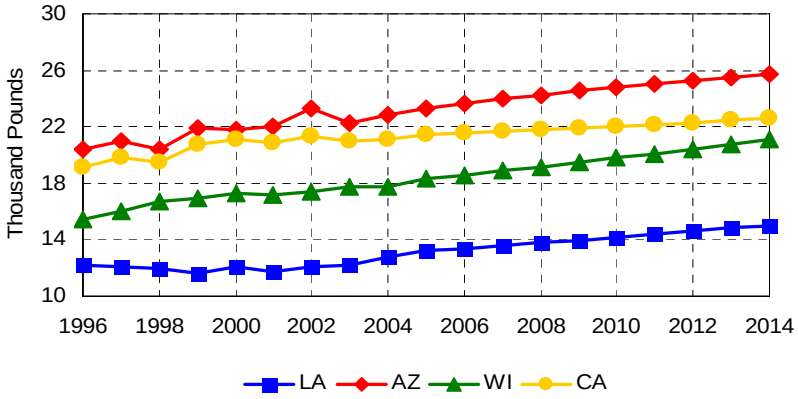
Milk Cows



▪A portion of the movement in dairy cows can be explained by varying milk yield levels found in different areas of the country.

▪Continued growth in milk yields suggests that fewer dairy cows will be needed to meet demand for milk and milk products.

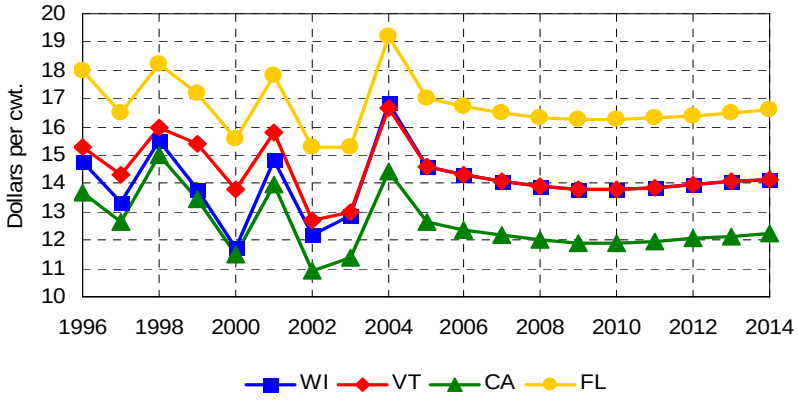
Milk Yields



▪State-level milk price comparisons show that milk is valued differently across the United States.

▪If milk prices were to become more similar among states, there would be an incentive in some states to increase production, while other states would lose production as their market prices moved down.

Milk Prices



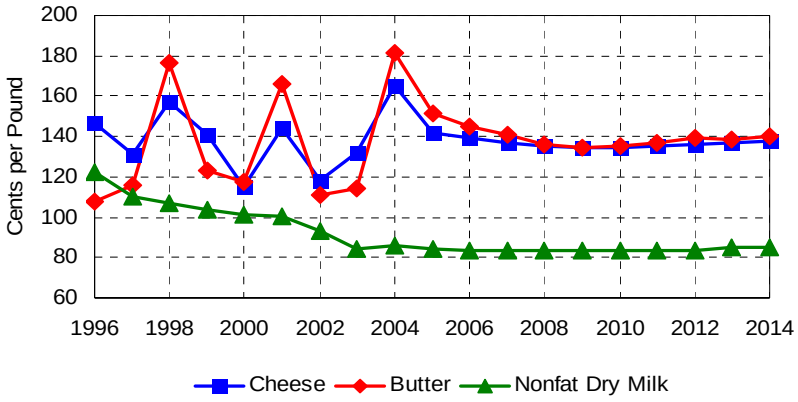
State Level Dairy Cows

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					(Thousand Head)						
Alabama	17	16	15	14	13	12	12	11	11	10	10
Alaska	1	1	1	1	1	1	1	1	1	1	1
Arizona	160	169	178	185	193	199	206	211	217	222	227
Arkansas	27	24	22	21	20	19	18	17	17	17	16
California	1,725	1,776	1,843	1,902	1,948	1,985	2,015	2,040	2,060	2,077	2,091
Colorado	102	103	104	105	105	105	105	105	105	105	105
Connecticut	21	19	18	17	16	15	14	14	13	13	12
Delaware	7	7	7	6	6	6	5	5	5	5	5
Florida	138	138	137	136	134	133	131	129	128	126	125
Georgia	84	83	83	83	82	82	81	80	80	79	79
Hawaii	6	6	5	5	5	4	4	4	4	3	3
Idaho	424	446	469	488	506	522	536	549	562	575	588
Illinois	107	105	102	100	97	95	93	91	90	89	88
Indiana	149	150	151	152	153	153	153	153	153	154	154
Iowa	192	188	183	179	175	171	168	165	163	162	160
Kansas	113	114	115	115	115	115	115	115	115	115	115
Kentucky	110	106	103	101	98	96	93	91	88	86	84
Louisiana	38	35	33	31	29	27	25	24	23	22	21
Maine	34	33	32	32	31	30	29	28	28	27	27
Maryland	74	72	70	68	66	64	62	61	60	58	57
Massachusetts	17	16	16	15	15	15	14	14	14	14	14
Michigan	302	303	303	303	303	302	301	300	299	298	298
Minnesota	463	452	442	431	420	409	398	388	379	370	362
Mississippi	27	26	25	24	23	22	21	20	20	19	19
Missouri	122	116	111	106	101	96	91	87	83	79	75
Montana	18	18	18	17	17	17	17	16	16	16	16
Nebraska	61	59	56	54	52	49	47	46	44	42	41
Nevada	25	25	25	24	24	24	24	24	24	23	23
New Hampshire	16	16	15	14	14	13	13	12	12	12	11
New Jersey	12	11	11	10	10	9	9	8	8	8	8
New Mexico	326	338	347	354	360	364	368	371	374	376	378
New York	654	643	635	632	627	622	617	611	606	602	598
North Carolina	57	54	52	51	49	47	45	43	42	40	39
North Dakota	34	31	29	26	24	22	20	19	18	17	16
Ohio	264	264	263	262	260	259	257	255	254	252	251
Oklahoma	78	74	72	70	69	67	66	64	63	62	60
Oregon	120	120	120	120	120	119	119	118	118	117	117
Pennsylvania	562	555	552	548	543	538	531	525	518	512	506
Rhode Island	1	1	1	1	1	1	1	1	1	1	1
South Carolina	17	16	15	14	13	12	12	11	10	10	9
South Dakota	80	77	74	72	69	66	64	62	60	58	56
Tennessee	75	71	67	63	59	56	53	51	49	47	46
Texas	319	318	317	315	312	309	306	303	299	295	291
Utah	88	86	84	82	80	79	77	76	74	73	72
Vermont	145	140	137	134	132	130	128	126	124	122	121
Virginia	103	101	100	99	98	97	95	94	93	92	91
Washington	238	234	229	225	220	216	213	210	207	205	204
West Virginia	13	13	12	11	11	10	9	9	8	8	7
Wisconsin	1,241	1,217	1,189	1,164	1,140	1,118	1,099	1,084	1,073	1,065	1,062
Wyoming	4	4	4	4	4	4	4	3	3	3	3
United States	**9,009**	**8,991**	**8,991**	**8,985**	**8,961**	**8,926**	**8,885**	**8,848**	**8,814**	**8,785**	**8,762**

U.S. Dairy Products

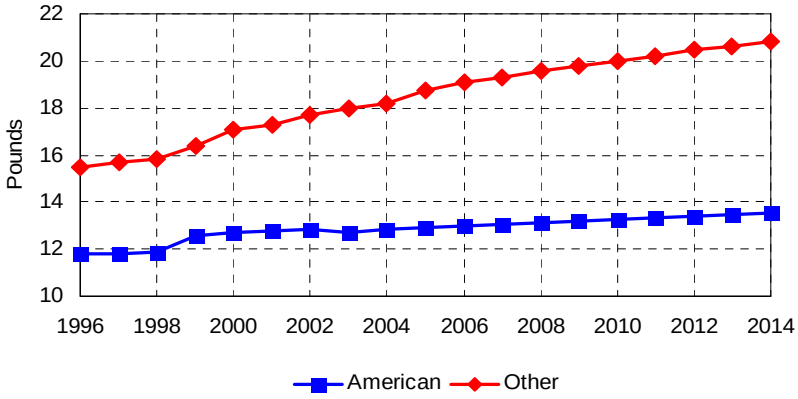
- Dairy product prices will remain volatile as dairy markets remain extremely inelastic and the level of government support is low.
- Nonfat dry milk prices are projected to remain near government support, despite the fact that government nonfat dry milk stocks have been curbed dramatically over the past year.
- Butter and cheese prices fall in 2005 from the record levels experienced in 2004.

Wholesale Dairy Product Prices



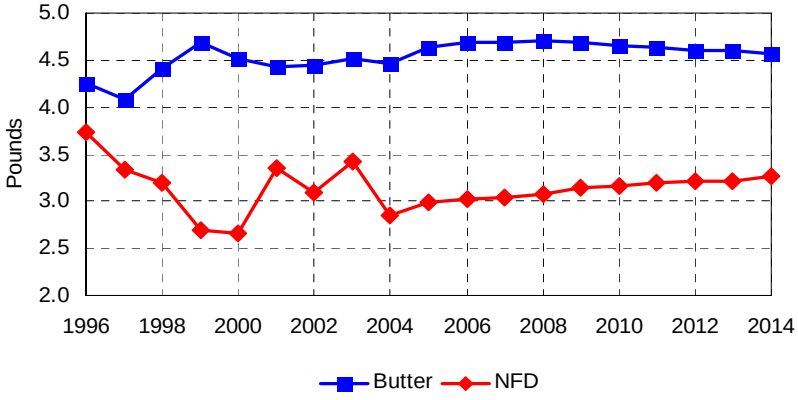
- Per capita cheese consumption grows by 2.4 pounds over the baseline.
- American cheese per capita consumption grows by only 0.5 pounds over the baseline, while all other cheeses grow by nearly 2 pounds.
- Cheese demand remains critical to the longer term outlook for the dairy industry.

Cheese Consumption per Person



- Butter consumption remains flat over the baseline at about 4.5 pounds.
- Nonfat dry milk consumption grows by about 0.4 pounds over the baseline but does not recover from the decline seen in 2004.
- Commercial exports of nonfat dry milk are expected to grow as world demand remains strong.

Consumption per Person



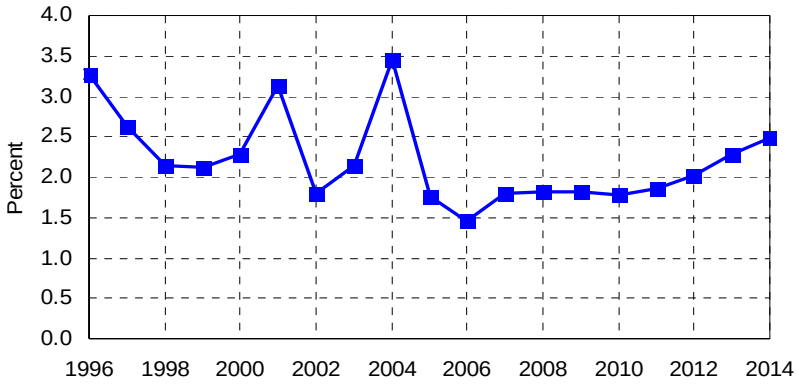
U.S. Dairy Product Supply and Use

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Butter					(Million Pounds)						
Production	1,229	1,319	1,341	1,376	1,386	1,391	1,392	1,392	1,393	1,399	1,401
Imports	48	48	48	48	51	54	57	60	63	66	69
Domestic Use	1,307	1,372	1,399	1,413	1,427	1,435	1,440	1,443	1,447	1,456	1,461
Total Foreign Use	9	9	9	9	9	9	9	9	9	9	9
Ending Stocks	60	46	28	29	30	31	31	31	31	31	31
CCC Net Rem. inc DEIP	-7	0	0	0	0	0	0	0	0	0	0
American Cheese											
Production	3,752	3,782	3,847	3,901	3,960	4,016	4,070	4,125	4,181	4,233	4,294
Imports	65	65	65	65	65	65	65	65	65	65	65
Domestic Use	3,769	3,824	3,873	3,929	3,986	4,043	4,098	4,153	4,208	4,262	4,321
Total Foreign Use	35	35	35	35	35	35	35	35	35	35	35
Ending Stocks	522	510	515	517	521	523	526	528	530	532	535
CCC Net Rem. inc DEIP	6	6	6	6	6	6	6	6	6	6	6
Other Cheese											
Production	5,096	5,323	5,452	5,571	5,694	5,814	5,929	6,044	6,160	6,272	6,390
Imports	375	379	383	386	390	394	398	402	406	410	414
Domestic Use	5,331	5,548	5,691	5,815	5,942	6,066	6,185	6,305	6,424	6,541	6,662
Total Foreign Use	143	143	143	143	143	143	143	143	143	143	143
Ending Stocks	230	240	240	239	239	238	236	235	233	232	230
Nonfat Dry Milk											
Production	1,437	1,534	1,565	1,618	1,628	1,622	1,609	1,591	1,576	1,578	1,567
Imports	1	1	1	1	1	1	1	1	1	1	1
Domestic Use	836	885	902	917	932	962	976	994	1,012	1,021	1,042
Total Foreign Use	446	355	380	455	480	505	530	555	555	580	605
Ending Stocks	775	870	1,005	1,153	1,270	1,326	1,329	1,273	1,208	1,136	1,008
Government	426	514	646	790	906	962	966	910	846	774	646
Commercial	349	356	359	362	363	363	363	362	362	362	362
CCC Net Rem. inc DEIP	140	317	361	373	345	296	239	174	161	148	87
Evap. and Condensed Milk											
Production	693	687	677	668	659	651	643	636	629	621	615
Imports	12	12	12	12	12	12	12	12	12	12	12
Domestic Use	603	599	590	581	572	564	556	549	542	534	528
Total Foreign Use	99	99	99	99	99	99	99	99	99	99	99
Ending Stocks	40	41	40	40	40	40	40	40	40	40	40
Per Capita Cons.						(Pounds)					
Butter	4.5	4.6	4.7	4.7	4.7	4.7	4.7	4.6	4.6	4.6	4.6
Nonfat Dry Milk	2.9	3.0	3.0	3.0	3.1	3.1	3.2	3.2	3.2	3.2	3.3
Total Cheese	31.1	31.7	32.1	32.4	32.7	33.0	33.3	33.6	33.8	34.1	34.4
American	12.9	12.9	13.0	13.0	13.1	13.2	13.3	13.3	13.4	13.4	13.5
Other	18.2	18.8	19.1	19.3	19.6	19.8	20.0	20.2	20.4	20.6	20.8
Total Fluid Milk	202.2	198.6	196.9	195.2	193.7	192.3	190.8	189.5	188.3	187.0	186.1
Ice Cream	27.4	27.6	27.6	27.6	27.6	27.5	27.5	27.4	27.4	27.4	27.4
Retail Prices					(Dollars per Pound)						
Butter, salted, AA, stick	3.51	3.13	3.02	3.00	2.97	2.98	3.02	3.09	3.16	3.19	3.27
Cheese, Natural Cheddar	4.27	4.13	4.10	4.09	4.08	4.11	4.15	4.21	4.28	4.36	4.44
Milk, Frsh, Whole Fortified	3.16	2.88	2.87	2.87	2.87	2.89	2.92	2.96	3.00	3.04	3.09
Milk, Frsh, Lowfat Fortified	2.93	2.67	2.66	2.66	2.67	2.68	2.71	2.74	2.78	2.82	2.86

U.S. Food Prices and Expenditures

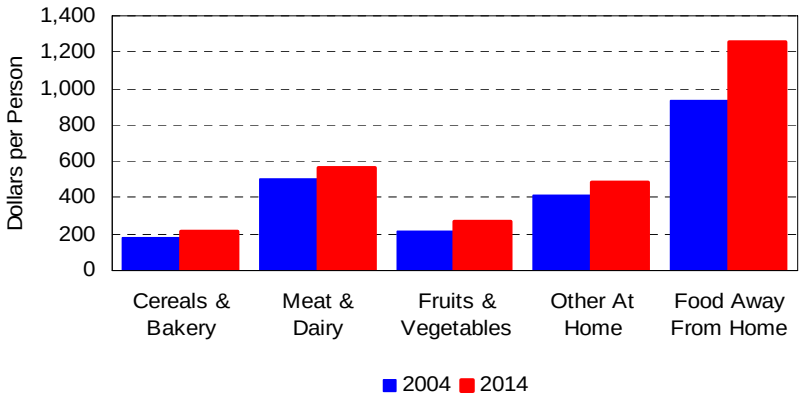
- The CPI for food increased by nearly 3.5 percent in 2004, the largest increase since 1990.
- The CPI for food at home grew at a faster rate than the CPI for food away from home in 2004 for only the second time since 1996.
- As livestock and dairy supplies increase in response to recent demand strength, food price inflation will moderate to between 1.5 and 2 percent for the next few years.

Change in the CPI for Food



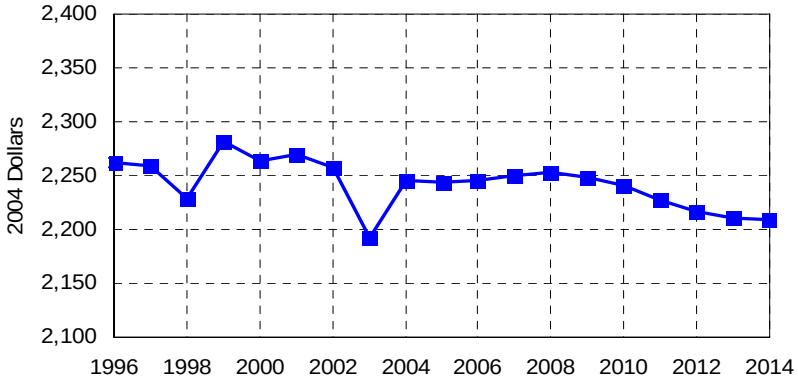
- Per capita expenditures on meat and dairy accounted for over 38 percent of at home food expenditures in 2004.
- Expenditures on fruits and vegetables will register the largest percentage increase of at home food expenditures over the next ten years.
- The percentage of expenditures on food away from home will continue to increase.

Food Expenditures by Category



- Per capita expenditures have remained in a relatively narrow range in recent years when expressed in real terms.
- Real expenditures per person will be nearly unchanged for the next few years before resuming slight annual declines.
- Total food expenditures in nominal terms will grow from $658 billion in 2004 to nearly $890 billion in 2014.

Real Food Expenditures per Person



Consumer Price Indices for Food

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(1982-84=100)					
TOTAL	186.2	189.5	192.2	195.7	199.2	202.9	206.5	210.3	214.5	219.4	224.9
Food at Home	186.2	189.3	191.8	195.0	198.3	201.6	204.9	208.3	212.1	216.6	221.5
Cereal and Bakery	206.0	212.3	216.1	220.8	224.9	228.9	233.4	237.6	242.3	247.0	252.0
Meat	181.7	184.7	186.2	188.5	191.4	193.6	194.9	196.0	197.5	201.1	205.8
Dairy	180.2	175.1	176.4	177.9	179.7	182.2	185.5	189.5	193.8	198.3	203.1
Fruit and Vegetables	232.7	239.1	243.8	249.2	255.1	261.1	267.7	275.2	283.3	291.4	299.8
Other Food At Home	164.9	167.5	169.4	171.8	173.8	176.5	178.9	181.5	184.2	186.9	189.6
Sugar and Sweets	163.2	166.1	168.0	171.6	172.2	176.0	178.2	181.0	183.8	186.3	188.9
Fats and Oils	167.8	169.0	171.6	174.0	176.5	179.0	181.4	183.9	186.5	189.1	191.8
Other Prepared Items	179.7	183.5	186.1	189.1	192.5	196.2	199.7	203.3	207.4	211.4	215.6
Non-alc. Beverages	140.4	141.7	142.5	143.8	144.1	145.6	146.5	147.6	148.7	149.7	150.7
Food Away From Home	187.5	191.0	194.1	197.9	201.8	205.8	210.0	214.4	219.2	224.6	230.7

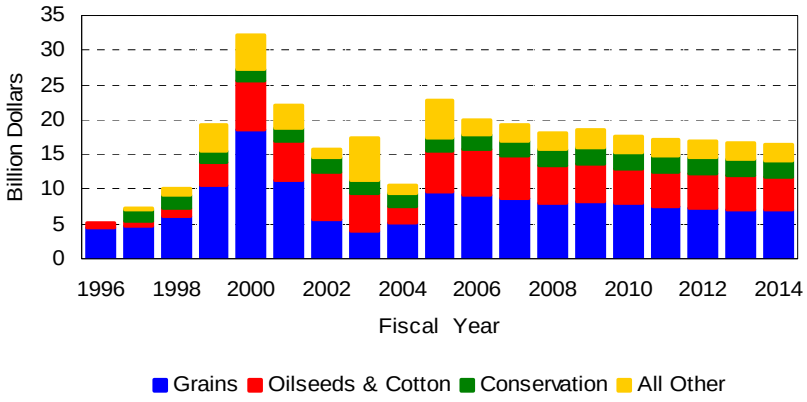
Per Capita Consumer Expenditures for Food

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Dollars per Person)					
Food at Home	1,309	1,331	1,344	1,363	1,385	1,406	1,426	1,447	1,471	1,499	1,530
Cereal and Bakery	179	185	187	190	193	196	199	202	205	208	212
Meat	361	369	370	374	381	386	390	393	397	405	415
Dairy	138	135	136	136	137	139	140	142	145	147	150
Fruit and Vegetables	219	224	227	231	236	241	246	251	258	264	270
Other Food At Home	412	419	424	431	438	444	452	459	466	475	484
Sugar and Sweets	48	49	49	50	51	51	52	52	53	53	54
Fats and Oils	38	39	39	40	41	42	42	43	44	45	46
Miscellaneous	204	208	210	214	218	222	226	230	234	239	245
Trips	15	16	16	17	17	18	18	19	20	21	21
Non-alc. Beverages	107	108	109	110	111	112	114	115	116	117	118
Food Away From Home	936	964	989	1,018	1,048	1,078	1,108	1,140	1,175	1,212	1,252
TOTAL	2,246	2,295	2,333	2,381	2,432	2,483	2,535	2,588	2,645	2,710	2,782
Multiply by Population for:						(Billion Dollars)					
AGGREGATE TOTAL	658.0	678.6	696.3	716.9	738.6	760.7	783.2	806.4	831.5	859.2	889.5

U.S. Government Costs

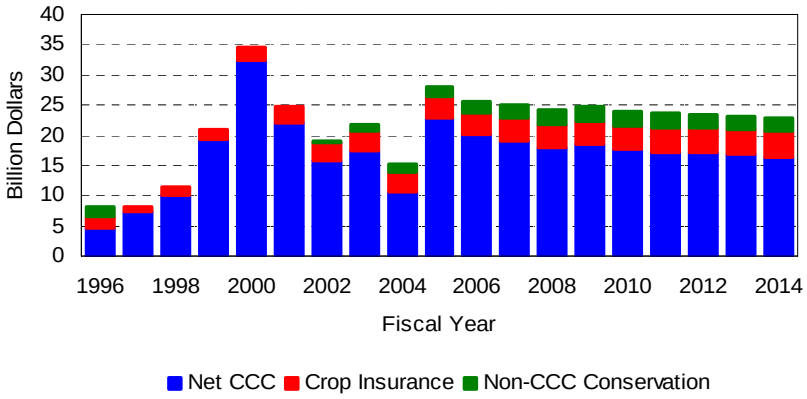
- Net CCC outlays fell to the lowest level in six years in FY 2004, but are expected to more than double in FY 2005, to $22.9 billion.
- Projected outlays decline after FY 2005, but total $183.7 billion over FY years 2005-2014.
- Projected expenditures reflect averages from stochastic analysis.

CCC Net Expenditures



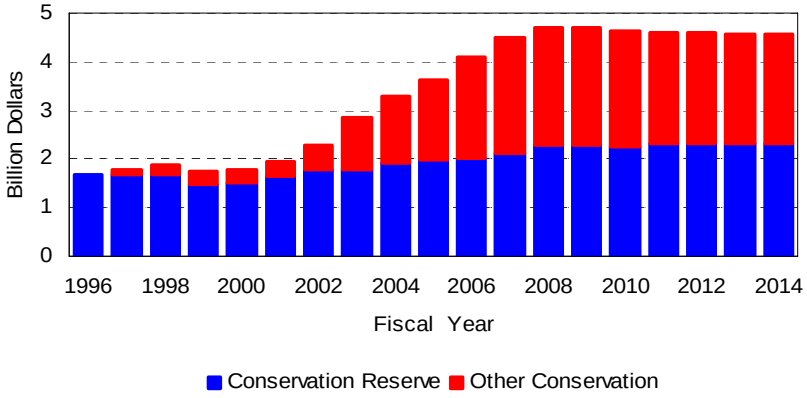
- Mandatory government outlays under the crop insurance program and certain conservation programs are not included in the CCC account.
- Including these non-CCC programs, total mandatory outlays are $244.5 billion over fiscal years 2005-2014.
- These estimates average more than $2 billion per year above corresponding estimates made last year.

Total Mandatory Government Outlays



- Increased enrollment and rental rates result in an increase in projected CRP spending.
- For other mandatory conservation programs, projected expenditures are based on preliminary estimates from the Congressional Budget Office.
- These estimates include legislated limits on spending under the Conservation Security Program.

Conservation Program Expenditures



Net Government Outlays

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Million Dollars)					
Feed Grains											
Corn	2,504	6,666	5,745	5,218	4,649	5,114	4,862	4,665	4,515	4,367	4,316
Sorghum	239	417	417	412	372	396	380	364	347	329	316
Barley	93	228	156	148	150	150	147	147	143	140	137
Oats	5	14	20	19	19	18	15	14	13	13	12
Food Grains											
Wheat	1,173	1,484	1,938	1,902	1,804	1,756	1,677	1,606	1,552	1,502	1,459
Rice	1,130	741	960	959	894	879	852	811	823	795	783
Oilseeds											
Soybeans	595	1,478	2,829	2,407	1,909	1,821	1,651	1,643	1,690	1,737	1,641
Peanuts	259	266	293	312	234	235	237	232	231	226	228
Other Oilseeds	33	20	41	35	33	34	32	31	33	36	33
Other Commodities											
Upland Cotton	1,372	4,147	3,429	3,385	3,380	3,300	3,099	2,944	2,911	2,878	2,726
Sugar	61	-58	5	2	80	103	37	51	36	35	34
Dairy	295	624	264	251	253	244	222	187	174	179	148
CCC Conservation											
Conservation Reserve	1,920	1,978	2,027	2,123	2,267	2,275	2,257	2,299	2,322	2,318	2,328
Other CCC Conservation	-24	2	2	1	0	0	0	0	0	0	0
Other											
Disaster Payments, NAP	1,236	2,954	325	325	325	325	325	325	325	325	325
Other Net Costs	-325	1,931	1,586	1,651	1,684	1,807	1,889	1,927	1,913	1,897	1,883
Net CCC Outlays	10,567	22,892	20,036	19,149	18,053	18,455	17,683	17,246	17,028	16,776	16,369
FSRIA Conservation	1,389	1,628	2,069	2,386	2,436	2,415	2,365	2,301	2,268	2,246	2,249
CCC + FSRIA Conservation	11,956	24,520	22,105	21,535	20,489	20,870	20,048	19,547	19,296	19,022	18,618
Crop Insurance	3,269	3,378	3,505	3,633	3,744	3,835	3,921	3,993	4,070	4,149	4,215
Total Mandatory Outlays	15,225	27,898	25,610	25,168	24,234	24,705	23,968	23,540	23,366	23,171	22,832

Note: For feed grains, food grains, oilseeds, cotton, and dairy, figures represent the means of the results of the stochastic analysis based on 500 random draws. "FSRIA Conservation" denotes mandatory spending on conservation programs authorized by the 2002 farm bill that is not included in reported CCC spending.

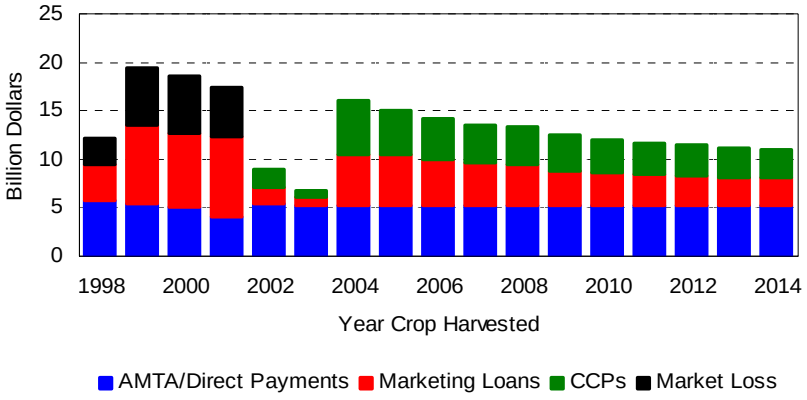
Payments and Crop Insurance

- After two years of decline, payments associated with the 2004/05 crop of grains, oilseeds, and cotton have increased sharply.

- For the 2004/05 crop, estimated DPs, CCPs, and loan program benefits are each between $5 billion and $6 billion.

- Projected CCPs and loan program benefits both decline as commodity prices recover.

Selected Government Payments

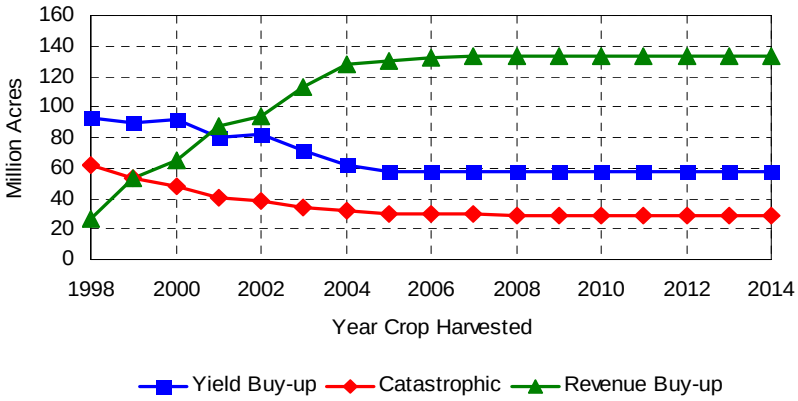


- The shift to revenue-based crop insurance policies accelerated in 2004.

- The increased demand for revenue policies more than offset the drop in demand for yield-based policies.

- Over the baseline period, 83 percent of eligible acres are enrolled in some form of crop insurance.

Total Insured Acres

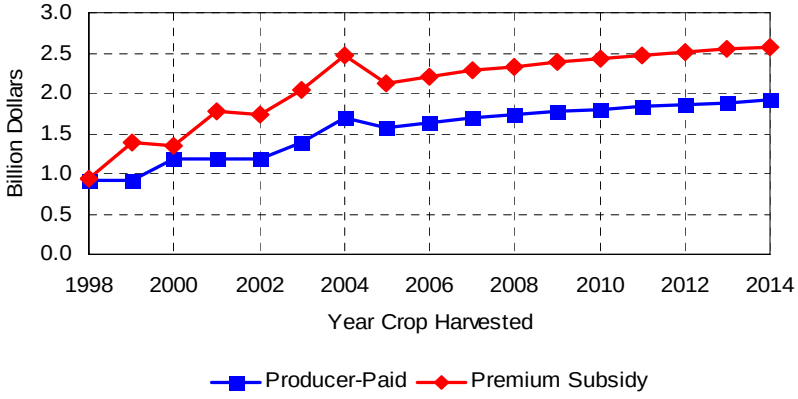


- Crop insurance premium subsidies rose to $2.5 billion in 2004 and are expected to remain above $2 billion in the future.

- Total projected premiums are expected to decrease in 2005 because of lower insurable prices for the revenue products.

- After 2005, projected premiums are expected to increase due to higher crop prices.

Crop Insurance Premiums



Selected Direct Government Payments

Crop Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
						(Million Dollars)					
Direct Payments	5,312	5,310	5,309	5,307	5,307	5,307	5,306	5,304	5,304	5,304	5,304
Marketing Loans	5,161	5,122	4,682	4,239	4,080	3,511	3,229	3,126	3,043	2,840	2,815
Counter-cyclical Payments	5,596	4,540	4,254	4,019	3,905	3,639	3,481	3,282	3,147	2,942	2,822
Total	16,069	14,972	14,245	13,565	13,292	12,456	12,016	11,713	11,495	11,086	10,941

Note: Includes direct payments, marketing loans (loan deficiency payments and marketing loan gains) and counter-cyclical payments for feed grains, food grains, oilseeds, and upland cotton. Figures represent the means of the results of the stochastic analysis based on 500 random draws.

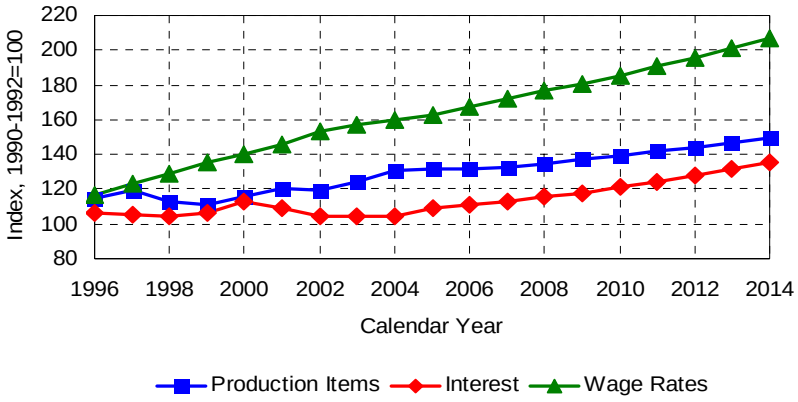
Crop Insurance

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Million Acres, Crop Year)					
Eligible Acres	266.8	264.0	264.9	264.9	265.0	264.9	264.7	264.3	264.2	264.1	263.9
Net Acres Insured	221.1	218.9	219.5	219.7	219.9	220.0	219.9	219.8	219.9	219.9	219.9
Catastrophic	31.7	30.3	29.7	29.4	29.3	29.3	29.2	29.2	29.2	29.2	29.2
Yield Buy-Up	61.4	58.1	57.5	57.3	57.3	57.2	57.3	57.3	57.3	57.4	57.5
Revenue-Based	128.1	130.6	132.4	132.9	133.3	133.5	133.4	133.3	133.3	133.3	133.2
Crop Insurance Participation Rate	82.9%	82.9%	82.9%	82.9%	83.0%	83.0%	83.1%	83.2%	83.2%	83.3%	83.3%
						(Billion Dollars, Crop Year)					
Total Premiums	4.18	3.70	3.85	3.97	4.06	4.15	4.22	4.29	4.37	4.43	4.49
Producer-Paid Premiums	1.70	1.58	1.64	1.69	1.73	1.77	1.80	1.83	1.86	1.89	1.91
Premium Subsidies	2.47	2.13	2.21	2.28	2.33	2.38	2.42	2.46	2.51	2.54	2.57
Total Indemnities	3.51	3.70	3.85	3.97	4.06	4.15	4.22	4.29	4.37	4.43	4.49
Loss Ratio	0.84	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
						(Billion Dollars, Fiscal Year)					
Total Obligations	4.16	4.44	4.50	4.67	4.82	4.92	5.03	5.11	5.19	5.29	5.37
Net Outlays	3.27	3.38	3.50	3.63	3.74	3.83	3.92	3.99	4.07	4.15	4.21
Budget Authority	3.44	3.34	3.46	3.60	3.72	3.81	3.90	3.97	4.04	4.13	4.20

PPIs and Production Costs

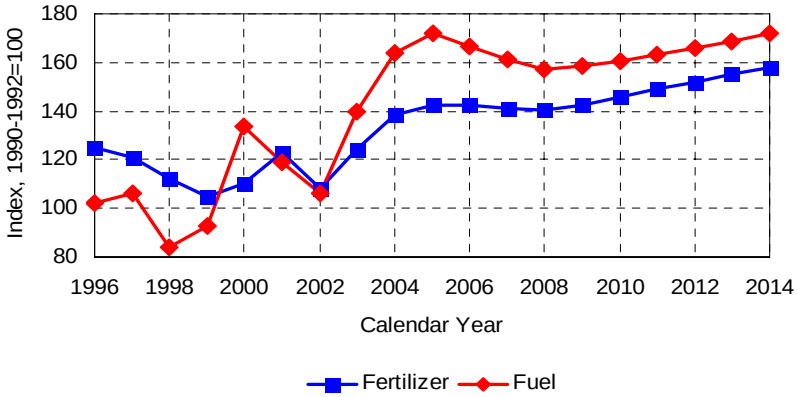
- Prices paid by farmers for all production items increased by 5.3 percent in 2004.
- Increases of less than 1 percent per year are projected for 2005 and 2006, and production cost inflation remains below 2 percent per year through 2014.
- The PPI for real estate interest increases by an average of 2 percent per year in the baseline while the PPI for wage rates increases by 3-5 percent per year.

Prices Paid by Farmers



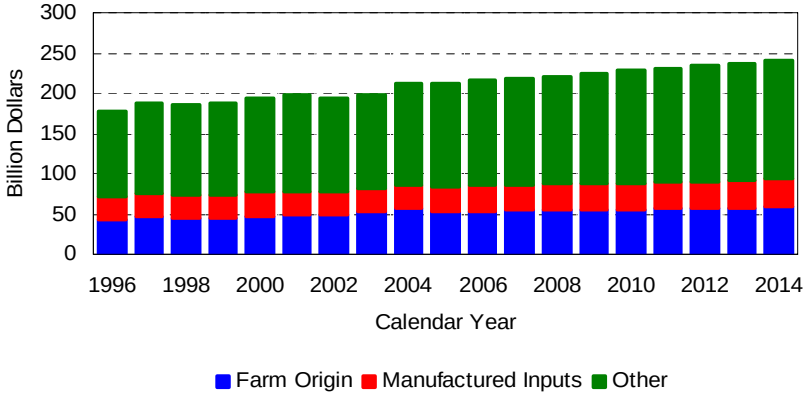
- Production costs for fertilizer and fuel are especially variable.
- After increasing at double-digit percentage rates in 2003 and 2004, a much smaller increase in fuel and fertilizer prices is expected for 2005.
- Based on Global Insight projections of fuel and chemical prices, farm prices for fuel and fertilizer could actually decline slightly from 2006-2008.

Prices Paid by Farmers



- Farm production expenses increased sharply in 2004 because of higher costs for feed, purchased livestock, fertilizer, fuel, labor, and other inputs.
- Estimated expenses increase slightly in 2005, as increased spending on agricultural chemicals, labor, and other inputs more than offsets reduced expenditures on feed and purchased livestock.

Farm Production Expenses



U.S. Indices of Prices Paid by Farmers

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Prod. Items, Interest,						(1990-92=100)					
Taxes and Wages	132	133	134	136	138	140	143	145	148	151	155
Production Items	131	131	132	133	135	137	140	142	144	147	150
Feed	118	108	113	117	119	120	121	122	123	123	123
Livestock & Poultry	128	125	115	114	114	114	110	107	104	106	110
Seeds	158	162	164	167	169	171	174	177	180	183	185
Fertilizer	139	142	142	141	140	142	145	149	152	155	158
Mixed Fertilizer	123	126	127	128	129	132	135	138	141	144	147
Nitrogen Fertilizer	161	166	164	159	154	156	159	163	166	169	172
Potash and Phosph.	121	125	127	129	132	134	138	141	144	147	150
Agricultural Chemicals	121	123	122	121	121	122	124	126	128	130	132
Herbicides	113	114	113	111	111	112	113	115	116	118	120
Insecticides	143	145	145	144	144	146	149	152	155	157	160
Fungicides/Other	116	122	123	124	126	129	132	135	138	140	142
Fuels	164	172	166	161	157	159	161	164	166	169	172
Supplies & Repairs	137	141	142	143	145	148	150	154	157	160	163
Autos & Trucks	114	114	112	113	115	118	122	125	128	131	135
Farm Machinery	162	166	168	172	177	183	189	195	201	206	212
Building Material	134	140	143	145	147	149	152	154	157	159	161
Farm Services	124	126	128	130	134	138	142	146	150	155	159
Rent	120	123	125	127	130	134	137	140	143	146	150
Interest 1/	104	109	111	113	116	118	121	124	128	131	135
Taxes 2/	130	134	133	135	137	139	142	145	148	151	154
Wage Rates	160	163	167	172	176	181	185	190	196	201	207

1/ Interest per acre on farm real estate debt and interest rate on farm non-real estate debt.
2/ Farm real estate taxes payable per acre.

Farm Production Expenses

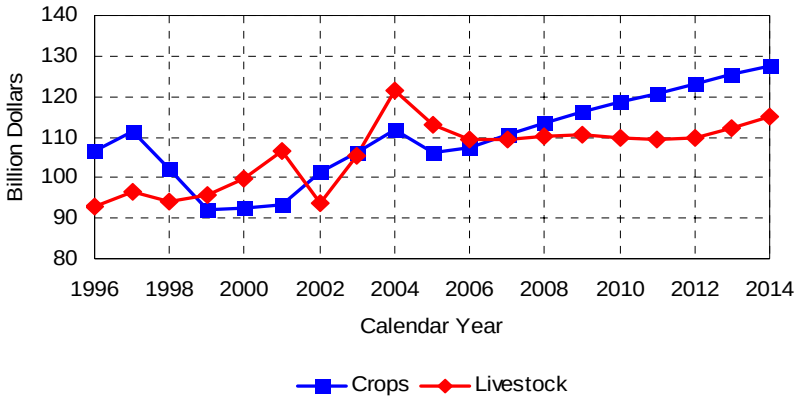
Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Billion Dollars)					
Feed	28.48	24.60	26.02	27.00	27.73	28.38	29.07	29.73	30.30	30.77	31.10
Purchased Livestock	18.40	17.99	17.29	17.45	17.26	16.93	16.46	16.10	15.88	16.09	16.48
Seed	9.42	9.59	9.82	10.02	10.16	10.32	10.50	10.68	10.90	11.03	11.24
Fertilizer and Chemicals	19.53	20.87	20.96	21.03	20.96	21.11	21.33	21.59	21.89	22.18	22.44
Fuels and Electricity	10.89	11.10	11.45	11.22	11.09	11.00	11.27	11.44	11.69	11.85	12.11
Interest	13.27	13.81	14.55	15.08	15.49	15.84	16.40	16.72	16.89	17.06	17.28
Contract and Hired Labor	23.20	23.56	24.04	24.51	25.02	25.45	25.93	26.43	26.93	27.40	27.89
Capital Consumption	21.52	21.59	21.54	21.50	21.55	21.65	21.75	21.88	22.01	22.12	22.25
Rent to Non-Operators	11.95	13.09	12.88	12.28	12.30	12.67	12.90	13.01	13.09	13.24	13.45
All Other	55.10	56.27	57.69	58.79	59.85	60.97	62.29	63.52	64.78	66.00	67.25
Total Production Expenses	211.77	212.46	216.21	218.88	221.42	224.32	227.90	231.11	234.36	237.74	241.48

Note: Figures represent the means of the results of the stochastic analysis based on 500 random draws.

U.S. Farm Income

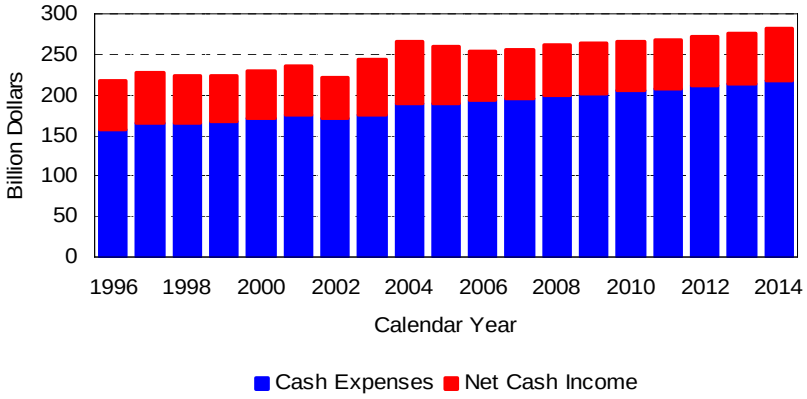
- Both crop and livestock receipts increased in 2004, with the largest increases for livestock due to unexpectedly strong prices for cattle, hogs, poultry, and milk.
- Lower prices for several commodities are expected to result in lower cash receipts from marketings in 2005.
- Projected declines in cattle prices result in flat livestock receipts from 2006-2012.

Cash Receipts



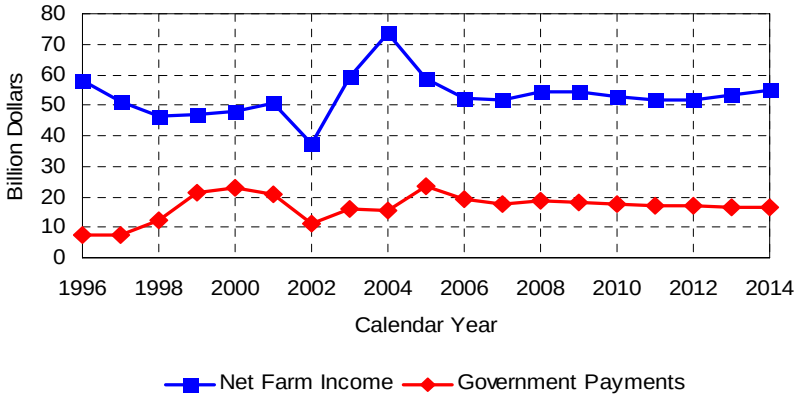
- Farm cash expenses generally change with total production expenses. Both increase by a little over 1 percent per year over the baseline.
- Nominal net cash income reached a record $77.5 billion in 2004.
- Even after projected declines in 2005 and 2006, net cash income remains above $60 billion throughout the baseline period.

Cash Expenses and Net Cash Income



- Nominal net farm income reached a record level in 2004, as sharply higher receipts for crops and livestock more than offset increased production costs.
- Lower livestock receipts and reduced inventory values account for the large projected decline in 2005 net farm income.
- The estimated decline in 2005 crop receipts is offset by an even larger increase in government payments.

Net Farm Income and Government Payments



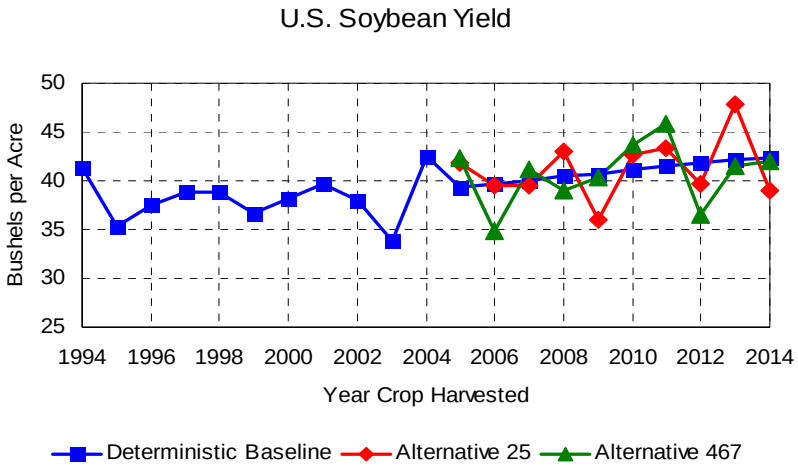
Farm Income Statistics

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						(Billion Dollars)					
1. Farm Receipts	250.58	236.49	234.56	238.59	242.64	246.11	248.59	250.98	254.10	259.30	264.85
Crops	111.92	106.18	107.30	110.57	113.34	116.04	118.51	120.82	123.16	125.48	127.63
Feed Grains & Hay	27.08	26.04	26.39	27.46	28.19	28.88	29.60	30.28	30.97	31.58	32.06
Food Grains	9.30	7.89	8.05	8.27	8.44	8.64	8.82	8.96	9.16	9.33	9.49
Oilseeds	17.79	14.78	14.06	14.79	15.43	15.90	16.14	16.30	16.44	16.59	16.73
Cotton	5.33	3.90	4.03	4.17	4.26	4.41	4.54	4.67	4.77	4.91	5.04
All Other Crops	52.42	53.56	54.77	55.88	57.02	58.22	59.41	60.61	61.83	63.06	64.30
Livestock	121.48	113.01	109.39	109.60	110.30	110.50	109.97	109.50	109.71	112.04	114.89
Cattle and Calves	44.67	43.16	42.24	42.38	41.82	40.71	39.66	38.81	38.55	38.87	39.71
Hogs	15.14	13.79	11.60	11.90	12.79	13.76	13.49	13.06	12.78	13.78	14.69
Poultry and Eggs	29.66	27.23	26.92	26.72	27.17	27.51	28.09	28.65	29.18	29.78	30.43
Dairy	27.39	24.17	23.97	23.93	23.86	23.85	24.05	24.30	24.53	24.92	25.32
All Other Livestock	4.63	4.66	4.66	4.66	4.67	4.68	4.68	4.68	4.68	4.69	4.73
Farm-Related	17.18	17.31	17.87	18.43	19.00	19.56	20.12	20.67	21.23	21.79	22.34
2. Government Payments	15.68	23.64	19.43	17.78	18.70	18.12	17.51	17.14	16.85	16.56	16.28
3. Gross Cash Income (1 + 2)	266.26	260.13	253.99	256.38	261.34	264.23	266.10	268.12	270.95	275.86	281.13
4. Nonmoney Income	12.65	12.81	12.93	13.17	13.42	13.60	13.87	14.03	14.23	14.50	14.80
5. Value of Inventory Change	6.57	-1.79	1.45	1.25	1.11	1.08	0.99	0.90	0.68	0.53	0.40
6. Gross Farm Income (3 + 4 + 5)	285.48	271.15	268.36	270.79	275.87	278.91	280.96	283.05	285.86	290.89	296.34
7. Cash Expenses	188.72	189.59	193.36	196.04	198.50	201.27	204.71	207.76	210.85	214.10	217.67
8. Total Expenses	211.77	212.46	216.21	218.88	221.42	224.32	227.90	231.11	234.36	237.74	241.48
9. Net Cash Income (3 - 7)	77.54	70.54	60.63	60.34	62.84	62.96	61.39	60.36	60.10	61.76	63.46
10. Realized Net Farm Inc (3 + 4 - 8)	67.14	60.48	50.70	50.66	53.33	53.50	52.08	51.04	50.82	52.62	54.46
11. Net Farm Income (6 - 8)	73.71	58.69	52.15	51.91	54.45	54.59	53.06	51.94	51.50	53.15	54.86
Deflated (1997 $)	64.96	50.70	44.25	43.23	44.44	43.59	41.41	39.51	38.16	38.42	38.70

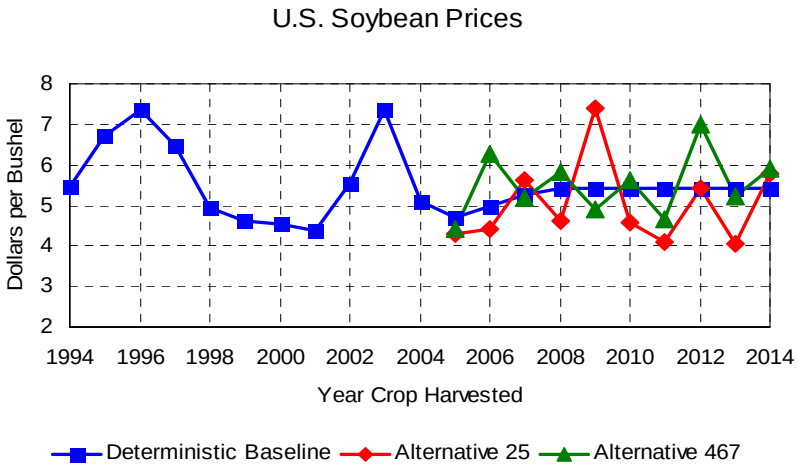
Note: Figures represent the means of the results of the stochastic analysis based on 500 random draws.

Stochastic Analysis: The Approach

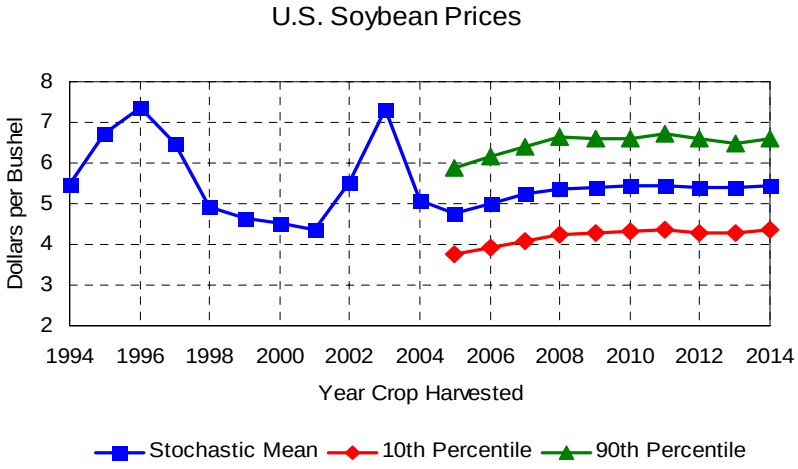
- To reflect inherent uncertainty in commodity markets, FAPRI uses stochastic analysis to look at 500 alternative futures.
- Assuming average weather, yields grow steadily in the deterministic baseline used to generate the supply and use tables provided earlier in this report.
- The chart shows two of the 500 draws on soybean yields used to drive the stochastic analysis.



- For each of the 500 alternative futures, price projections reflect the joint effects of all the random supply and demand factors.
- Prices generally exceed the deterministic baseline when yields are below average.
- Random factors affecting demand also play an important role, so it is possible to have lower-than-average production and lower-than-average prices in the same year.



- The mean (average) value of the soybean price from the stochastic analysis is very similar to the deterministic baseline reported earlier.
- In 10 percent (50) of the 500 alternative futures, the 2005/06 soybean price falls below $3.76 per bushel.
- In 10 percent (50) of the 500 alternative futures, the 2005/06 soybean price exceeds $5.88 per bushel.



Selected Stochastic Analysis Results

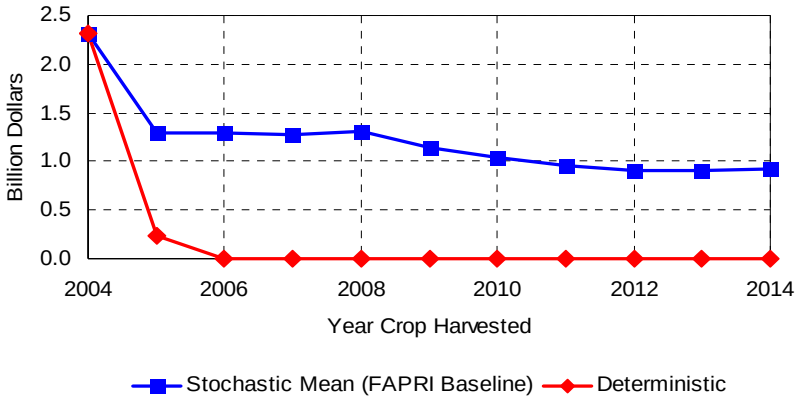
Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Corn Price					(Dollars per Bushel, Crop Year)						
Deterministic Baseline	1.94	2.13	2.19	2.22	2.23	2.26	2.28	2.30	2.32	2.32	2.33
Stochastic Mean		2.14	2.18	2.21	2.22	2.25	2.27	2.29	2.31	2.32	2.32
10th Percentile		1.79	1.79	1.81	1.75	1.82	1.85	1.84	1.87	1.86	1.86
90th Percentile		2.52	2.62	2.64	2.71	2.72	2.76	2.75	2.81	2.82	2.78
Soybean Price											
Deterministic Baseline	5.10	4.72	4.99	5.27	5.41	5.42	5.43	5.44	5.44	5.44	5.43
Stochastic Mean		4.76	5.01	5.24	5.37	5.41	5.42	5.42	5.41	5.41	5.43
10th Percentile		3.76	3.93	4.09	4.23	4.28	4.34	4.38	4.28	4.30	4.36
90th Percentile		5.88	6.16	6.39	6.63	6.59	6.61	6.72	6.61	6.50	6.61
Wheat Price											
Deterministic Baseline	3.35	3.21	3.24	3.31	3.36	3.42	3.47	3.51	3.56	3.60	3.63
Stochastic Mean		3.21	3.24	3.30	3.35	3.41	3.46	3.50	3.55	3.60	3.63
10th Percentile		2.78	2.77	2.81	2.82	2.85	2.92	2.95	3.02	3.07	3.08
90th Percentile		3.63	3.75	3.75	3.89	3.91	4.00	4.01	4.11	4.15	4.15
Nebraska Steer Price				(Dollars per Hundredweight, Calendar Year)							
Deterministic Baseline	84.75	83.04	80.43	79.03	76.84	74.61	73.12	71.53	70.71	70.79	71.78
Stochastic Mean		83.18	80.52	78.87	76.75	74.53	72.98	71.37	70.55	70.60	71.66
10th Percentile		75.93	73.91	71.57	69.13	65.50	64.68	62.94	61.17	60.84	62.41
90th Percentile		89.89	86.97	86.02	84.35	81.91	82.40	79.77	79.50	79.32	80.88
Barrow and Gilt Price											
Deterministic Baseline	52.51	47.99	39.66	41.11	44.58	48.41	46.79	44.62	43.07	46.48	49.87
Stochastic Mean		48.00	39.67	40.95	44.52	48.15	46.54	44.34	42.90	46.36	49.62
10th Percentile		43.69	34.23	34.43	37.89	40.86	39.40	36.80	35.12	38.82	41.52
90th Percentile		52.82	44.81	46.80	50.87	55.60	54.30	51.54	50.11	54.24	57.83
Milk Price											
Deterministic Baseline	16.04	13.93	13.60	13.39	13.18	13.09	13.08	13.13	13.20	13.29	13.39
Stochastic Mean		13.85	13.60	13.41	13.23	13.11	13.12	13.14	13.17	13.27	13.37
10th Percentile		12.61	12.16	12.14	11.90	11.78	11.75	11.80	11.65	11.71	11.81
90th Percentile		15.04	14.82	14.61	14.59	14.44	14.52	14.51	14.72	14.88	15.06
Net CCC Outlays					(Billion Dollars, Fiscal Year)						
Deterministic Baseline	10.57	22.71	18.25	16.50	14.83	14.72	14.09	13.75	13.45	13.11	12.70
Stochastic Mean		22.89	20.04	19.15	18.05	18.45	17.68	17.25	17.03	16.78	16.37
10th Percentile		21.09	14.03	13.09	12.80	12.95	12.58	12.33	12.11	12.04	11.71
90th Percentile		24.56	27.04	27.47	24.90	26.30	24.59	24.52	24.32	23.43	23.75
Net Farm Income					(Billion Dollars, Calendar Year)						
Deterministic Baseline	73.71	57.07	50.84	50.46	52.35	52.43	51.11	50.15	49.88	51.31	53.09
Stochastic Mean		58.69	52.15	51.91	54.45	54.59	53.06	51.94	51.50	53.15	54.86
10th Percentile		51.26	43.91	44.24	46.78	47.20	45.28	44.10	41.97	44.79	45.12
90th Percentile		66.04	59.73	59.46	62.50	62.61	61.19	60.50	60.25	61.63	64.35

Note: Figures represent the means of the results of the stochastic analysis based on 500 random draws.

Stochastic Analysis: Costs and Income

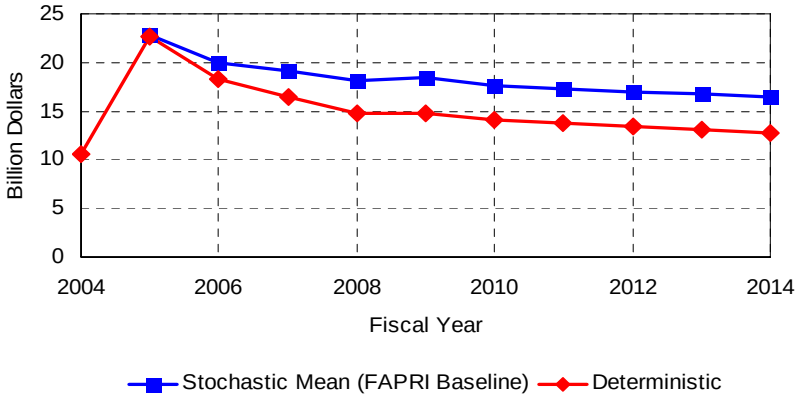
- In the deterministic baseline, corn prices increase enough that corn LDPs are small in 2005/06 and disappear entirely in later years.
- Because there is some probability of low corn prices and LDPs, the stochastic mean of corn LDPs is much greater than would be implied by the deterministic analysis.

Corn Loan Deficiency Payments



- In some cases, expected government spending is greater when examined by using stochastic analysis, as in the case of corn LDPs.
- In other cases, the reverse holds.
- On balance, government spending is significantly greater when examined stochastically.

Net CCC Outlays



- Because the mean level of government payments is greater under the stochastic analysis, the mean level of net farm income is also higher than the deterministic result.
- For government costs and net farm income, means of the stochastic analysis are presented in the tables in this report.

Net Farm Income